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Illinois Bankers Association

PRESIDENT, JOHN A. CATHCART, SIDELL.

VICE PRESIDENT, WIRT WRIGHT, NAT. STOCK YARDS.

TREASURER, W. W. CRABB, DELAVAN.

SECRETARY, M. A. GRAETTINGER, CHICAGO.

ASST. SECRETARY, OLIVE S. JENNINGS, CHICAGO.

TELEPHONE WABASH 2288

208 SOUTH LA SALLE STREET

Chicago

April 3, 1922

WEEKLY BULLETIN NO. 40

Series 1921 - 1922

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UNIVERSITY OF ILLINOIS

A Message from the President

The primary on April 11th should be of more than passing interest to you, the bankers of the State, as on that day you are accorded the privilege of placing in nomination men for the various offices whom you think would best protect your interest and that of the public. If you do not avail yourself of this opportunity you cannot expect such men to be nominated. Bankers as a rule, are too modest on election day as they consider it beneath their dignity to devote any time to the nomination of the right candidates and see that they receive sufficient support at the polls to assure their election.

The greatest menace that faces the business interests of our State today is the professional politician for he selects such assistants as will be favorable to his re-election, disregarding all other interests and using his office only to promote his future political prosperity. We, as bankers, can assist in ridding our State of officers of this type if we will only do our part at the primary.

Bankers and farmers are confronted with the payment of high taxes and the burden is so great that there is a possibility of being taxed out of existence. This burden can be made lighter if the proper attention is given to the election of public officials.

Elect men who have the interest of business at heart and who will apply economic principles to public affairs.

Would it not be profitable for us to take sufficient time from our desks on April 11th to see that real men are nominated?

JOHN A. CATHCART
President.

Death of Former Association President W. T. Fenton

Bankers all over the State will mourn the loss of William T. Fenton, Senior Vice President of the National Bank of the Republic, Chicago, who plunged to his death in Lake Michigan on Friday, March 31st. Mental depression induced by prolonged ill health, is believed to have been the cause.

Mr. Fenton was born on June 22, 1848, and at the time of his death was nearly 74 years old. He served the Illinois Bankers Association as President during the year 1897 - 1898, and presided at the convention which was held in Joliet on October 25-26, 1898.

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In 1885 he became Cashier of the First National Bank of Ottumwa, Iowa, continuing there five years, and in 1891 he returned to Chicago to organize the bank with which he was since associated. He was married September 21, 1871, at Madison, Indiana, to Mary Inskeep, and has two children, Mary Alice, the wife of George B. Burrage of Chicago, and Howard Winthrow Fenton, senior vice president of the Harris Trust & Savings Bank.

Membership Record

Membership March 1, 1922	1,863

New Members Enrolled

South Side Trust & Savings Bank . . . . Peoria	
First Trust & Savings Bank . . . . . Harrisburg	
Proviso State Bank . . . . . Maywood	3
	1,866

Deductions Account of Consolidation

Saline Trust & Savings Bank . . . . . Harrisburg	
Harrisburg State Savings Bank . . . . . Harrisburg	2
Membership April 1, 1922	1,864

The St. Louis Convention

As the local committee is making plans for an entertainment the evening before the convention, Wednesday, June 21st, it is suggested that all those attending the meeting arrange to arrive in St. Louis in time for this and make their hotel reservations accordingly. A list of hotels with their respective rates appeared in the previous issue of the Bulletin.

It is now contemplated to arrange for a special train from Chicago to St. Louis on June 21st, leaving at 10:15 A.M. (Chicago time) and arriving at about 4:30 P.M.

Group Meetings

Among the speakers that the Association will provide for the Spring Group Meetings are President Cathcart, H. Archibald Harris, of Archibald Harris & Company, Tax Counsellors for the Association; Paul R. Walters, of Atkinson, President of the Illinois State Chapter of the American Institute of Banking; and Secretary Graettinger. In addition, there will also be a representative from the office of the Auditor of Public Accounts. All will cover subjects of present-day interest to directors as well as bank officers, and for that reason we particularly urge the attendance of directors at the group meetings.

Tenth Annual Meeting of the Chamber of Commerce U.S.A.

The Tenth Annual Meeting of the National Chamber will be held in Washington, D.C., May 16-18, 1922. The headquarters will be at the New Willard Hotel. The following have been appointed as delegates and alternates for the Association:

C. B. Hazlewood, National Councilor, Chicago
J. A. Cathcart, Substitute Councilor, Sidell

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Delegates

N. F. Thompson	Rockford	O. G. Foreman	Chicago
J. D. Phillips	Green Valley	George Woodruff	Joliet
Robert R. Ward	Benton	M. A. Traylor	Chicago
Wayne Hummer	La Salle	O. F. Anderson	Moline
Geo. W. Telling	Danville		

Alternates

Wirt Wright	Nat. Stock Yards	F. J. Scheidenhelm	Evanston
W. S. Rearick	Ashland	C. H. Ireland	Washburn
Addison Corneau	Springfield	J. M. Crebs	Carmi
F. M. Lockwood	Kankakee	J. R. Noel	Chicago
W.H.L. Thomas	Quincy		

New Issue of the Rand McNally Bank Directory

The January issue of the Rand McNally Bankers Directory is off the press and maintains the high standard of efficiency of past issues. Nothing has been left undone to make this directory as nearly perfect as experience, a large organization, time and money can make it.

Illinois' Agricultural Rank
(Press Note)

Figures relating to Illinois' rank as an agricultural state in the last census have been prepared by A. L. Bostwick, statistician of the Liberty Central Trust Company, St. Louis. Part of this special study follows:

"Inasmuch as Illinois is recognized as one of the country's wealthiest and most progressive farming sections, any special efforts to prove this proposition may seem superfluous. It is believed, however, that the recent census bulletin summarizing the agricultural statistics of our forty-eight commonwealths brings out such new and interesting evidence to show the Prairie State's high standing that a brief analysis may not be out of order.

"The purpose is not to deal particularly with data as to yields and acreages of individual crops, such as are given out each year by state and federal authorities, but to bring out the salient points in the census publication just referred to.

"Using the most fundamental units as basis for comparison, Illinois in 1920 ranked as at least the third agricultural state in the Union. In some very important respects it stood even higher. The rank was second in value of farm property, value and number of swine, and value of cereal crops. The standing was third in value of all crops and value of live stock. Illinois led in two points - number of farms with tractors and sales of corn by farmers.

"The importance of the dairy and poultry industries in the State is indicated by the rank of the sixth in value of dairy products, third in value of poultry and second in combined value of eggs and chickens.

"As a fruit state Illinois stands high in several respects - sixth in acreage of small fruits and ninth in number of apple trees of bearing age.

"Indicative of the progressiveness of the agricultural population is the rank of second in number of farms having telephones; seventh in number of farms using motor trucks; second in farms reporting automobiles; eighth in farm homes having running water, and sixth in farmhouses equipped with gas or electric light."

Delegates

R. F. Thompson	Frankford	O. O. Peterson
J. C. Phillips	Orion Valley	George Kostura
Robert R. Ward	Benton	M. A. Tompkin
Hugh Hughes	La Salle	O. F. Anderson
Geo. W. Tolling	Danville	

Alternates

Walt Wright	Mat. Stock Yards	F. A. Schafenbolm
E. C. Herrick	Ashland	O. H. Ireland
Addison Corneau	Springfield	A. L. Crebs
F. M. Lockhood	Hamilton	M. R. Moss
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"Indicative of the prosperousness of the agricultural population is the rank of second in number of farms having telephones, seventh in number of farms using motor trucks; second in farms reporting automobiles; eighth in farms having running water, and sixth in farmhouses equipped with gas or electric light."

How Taxes Are Spent in Illinois

Of the two hundred million dollars the people of Illinois paid in general property tax in 1921, more than nine-tenths was spent for local purposes and less than one-tenth went for appropriations by the state legislature. Five-eighths of the amount raised by the general property tax was used for local schools and municipal activities and three-eights for county, state and other governmental functions.

These facts are presented in a bulletin, "Illinois Taxes," just issued by the Bureau of Business Research of the University of Illinois. It discusses pertinent facts relative to the tax question. Dean C. M. Thompson, of the College of Commerce at the University, is the author. He summarizes the results of extensive investigations on the tax question by the Bureau.

The publication states that more than one-half of the money appropriated in 1921 by the General Assembly was for highways and waterways and one-sixth for educational purposes. One-third of the State's revenue not specifically assigned to roads and waterways, was appropriated for education. Of this amount allotted to education, more than one-half was returned to local communities through the school distributive fund.

Business Conditions

As Reported by the Federal Reserve Bank of Chicago

"The outstanding feature in business development during the past few weeks has been the improvement in basic industries, including steel, especially railway equipment, copper and other metals. A marked increase in the production of automobiles has also been a feature of the month. Building which has been on the up-grade for several months past, continued its growth in activity. February permits being about forty per cent in excess of those of February, 1921, while the advance is still continuing.

"As against this favorable trend in the physical volume of production in basic lines is the fact that a variety of conditions have operated to offset the encouraging improvement which has been noted in textiles during the winter months. Prominent among these unfavorable influences is the disturbed relation with labor, but uncertainty as to cost of production and lack of forward orders has had a depressing effect in those districts where no labor troubles have made themselves felt. No important changes have been observed in other manufacturing lines, such as leather, boots and shoes. Agriculturally, the month has been one of favorable development considering the season. According to official figures a marked, even if still limited, decrease in unemployment is underway."

As Reported by the Federal Reserve Bank of St. Louis

"The approach of Spring has quickened activities in the rural communities, particularly to the South, where soil preparation and planting of early crops is in progress. Generally the feeling in the country was materially helped by the accretion to values of farm products, and in the typical grain areas Spring work will be undertaken with more spirit and hopefulness than was thought possible two or three months ago. Farmers are formulating their planting program, and according to hardware, fertilizer, implement and seed distributors, are purchasing supplies on a larger scale than during the corresponding period a year ago, though in quantities smaller than usual at this season in normal years.

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St. Louis for February being more than 1,500,000 bushels greater than for the corresponding month in 1921. The demand for this cereal for feeding live stock is reported stronger than at any time in recent years. Farmers are using the proceeds of recent marketings to defray indebtedness with their merchants and banks, and generally the credit situation in the rural communities is considerably easier, though in some localities the banks are still well loaned up. The U.S. Department of Agriculture's March 1 report on farm reserves showed stocks of wheat, corn and oats in States of this district to be slightly under those of last year, but well in excess of the March 1, 1920 totals."

Declares Bonus Bill Adds Four Billions to Public Debt
(Washington News Service)

The Chamber of Commerce of the United States has issued a statement declaring that the certificate plan increases the indebtedness of the United States at least $4,000,000,000, and that the figure runs as high as $4,500,000,000. It increases by nearly 17 per cent, it is said, the present public debt of the United States, already 2,200 per cent greater than it was five years ago; it means the country will add to its public debt a sum four times greater than the total national debt before the war.

"To avoid the admitted financial difficulties confronting the Government if a cash bonus be paid, proposals have been brought forward which only serve to increase the evils and difficulties. The method now proposed of furnishing Government certificates to be used as collateral in obtaining loans from banks only transfers the immediate burden of providing cash from the Federal Treasury to the banks of the country. This means inflation, with its consequent detriment to the country. It means a return toward conditions which only recently ended in violent deflation, the effects of which still are apparent.

"The Government will be called upon to retire more than $6,000,000,000 of indebtedness within the next 15 months. This is the greatest piece of financing done by the Government in peace times in its entire history, and calls for the most delicate handling lest the financial activities of the country be disturbed in the progress toward economic rehabilitation. The payment of a cash bonus, through the proposed certificate issue, would add a burden which would be felt by every person in the country.

"The position of the National Chamber, with respect to veteran legislation, is not based upon the present financial situation, serious as that may be. Opposition to a cash or certificate payment, is based upon the belief that such a method is wrong in principle - regarded either from the standpoint of military service or from the standpoint of the Nation. General Grant successfully held out against a demand for a bonus for the soldiers he led in battle. There is no record in the history of our country of our soldiers being given Government cash after a war, as a result of military service."

The National Chamber continues its approval of vocational training for veterans, and also a national system of reclamation to afford ex-service men an opportunity to cultivate the soil.

Federal Legislation
(Washington News Service)

-Treaties Ratified-

In addition to the Four Power Pacific Treaty mentioned in the last Bulletin, the United States Senate has put its seal of approval upon all the other covenants of the Washington Conference. The seven treaties ratified are:

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The 5-5-3 naval agreement providing for the scrapping of nearly 2,000,000 tons of fighting ships and for a ten year naval holiday between the United States, Great Britain, Japan, France and Italy.

The four power pact designed to keep the peace in the Pacific by binding the United States, Great Britain, France and Italy to keep hands off each other's insular possessions and to communicate fully and frankly with each other as to the most effective means of action in case of an aggression by an outside power.

The treaty between the United States, Great Britain, France, Japan, and Italy, restricting the use of submarines and banning noxious gases in warfare.

A declaration accompanying the four power treaty reserving American rights in mandated territory and making it clear that domestic questions are not to be submitted to international adjudication.

A supplementary treaty excluding the Japanese mainland from the scope of the four power pact.

The nine power treaty laying down new principles and policies to be followed by the powers in relation to China and designed to preserve the "open door."

The Chinese tariff treaty providing for increased customs duties on imports into China, to enable the Chinese government to raise more revenue.

The other powers are scheduled to act on the treaties within the next two or three months.

-Loans to Farmers-

The House adopted the conference report on the Senate bill making appropriations for loans to farmers in drought-stricken areas for purchases of seed. As passed by the Senate, the bill appropriated $5,000,000. The House cut this sum to $1,000,000 and a compromise was reached in conference placing the amount at $1,500,000. The act has been signed by the President.

-No Action on Amendment to Section 5219-

It is pleasing to note that on March 1 the House Committee on Banking and Currency met to consider action on H.R. 9579, and after discussion decided to take no action on the bill, there being deemed no necessity at the present time for a change in the law relative to the taxation of national bank shares. While some of the members of the committee expressed the opinion that the bill might come up at a later date, the immediate decision was to lay it on the table and take no action.

-Report on Tariff-

Responding to a demand by President Harding for greater speed on the Tariff bill, the Senate Finance Committee has voted to hold night sessions until the bill is completed. The President was told, that with good fortune, the Committee might be able to report the bill by the end of the last week, but members of the Committee generally believed that no report could be made until the middle of this week.

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Says All Business Needs Now is Courage
(Press Note)

American business needs only courage on the part of business men as well as other people with industrial honesty and a strict maintenance of laws to return to normal prosperity, Elbert H. Gary, Chairman of the United States Steel Corporation, declared in commenting on general trade conditions. "The business men have the opportunity to bring about honest, reasonable and fair prosperity," he said, "and they can do so if the authorities will maintain the laws and thus secure for individuals the right to work in accordance with their opportunities and desires."

Trend From Farm to Factory Continues

Factory workers in the U.S. now, for the first time, exceed those engaged on the farms. The trend of the population of the United States from the farm to the manufacturing and transportation centers is illustrated, says the Trade Record of the National City Bank of New York, by a comparison of some recent census figures of the number of persons "engaged in gainful occupations" in the United States in 1920 with similar figures for earlier years. Analyses of the occupations of people of the country have been made at each decennial census during the last half century and the official figures for 1920 show that while the number of persons "gainfully occupied" in agricultural lines was in 1920 less than double that of 1870, a half century earlier; the number engaged in "manufacturing and mechanical industries" was in round terms five times as many as in 1870 and those engaged in "trade and transportation" six times as many as in 1870.

Treasury Paying in Gold
(Washington News Service)

The Treasury announces that it has now resumed payments of gold certificates in ordinary course of business without demand, and that the Federal Reserve Banks throughout the country will be guided by a similar policy in making current payments for government account. This action, the Treasury says, removes the last artificial restriction upon gold payments in this country, though gold has at all times during and since the war been freely paid out by the Treasury and the Federal Reserve Banks whenever demanded in payment of gold obligations.

March Installment of Income Taxes Falls Dangerously Low
(Washington News Service)

The Treasury is much disappointed in the March 15 payment of income tax. The estimates of collection, conservatively made for purposes of the budget, called for a March 15 payment of $460,000,000. Indications are that the payment will not go over $400,000,000 and possibly may fall considerably below that amount. This will mean that for the fiscal year ended June 30, 1922, a deficit of well over $100,000,000 will be shown. Appropriations already have been made for the fiscal year on the basis of the budget estimate and, therefore, it will be necessary for the Treasury to sell enough Certificates of Indebtedness to put itself in funds to meet the appropriations. By just this amount, the retirement of the public debt will be delayed.

Says All Business Needs Now Is Courage
(Press Note)

American business needs only courage on the part of business men as well as other people with industrial honesty and a strict maintenance of laws to return to normal prosperity, Elbert H. Gary, Chairman of the United States Steel Corporation, declared in commenting on general trade conditions. "The business men have the opportunity to bring about honest, reasonable and fair prosperity," he said, "and they can do so if the authorities will maintain the laws and thus assure for individuals the right to work in accordance with their opportunities and desires."

Trend From Farm to Factory Continues

Factory workers in the U.S. now, for the first time, exceed those engaged on the farms. The trend of the population of the United States from the farm to the manufacturing and transportation centers is illustrated, says the Trade Record of the National City Bank of New York, by a comparison of some recent census figures of the number of persons "engaged in gainful occupations" in the United States in 1920 with similar figures for earlier years. Analyses of the occupations of people of the country have been made at each decennial census during the last half century and the official figures for 1920 show that while the number of persons "gainfully occupied" in agricultural lines was in 1920 less than double that of 1870, a half century earlier, the number engaged in "manufacturing and mechanical industries" was in round terms five times as many as in 1870 and those engaged in "trade and transportation" six times as many as in 1870.

Treasury Paying in Gold
(Washington News Service)

The Treasury announces that it has now resumed payments of gold certificates in ordinary course of business without demand, and that the Federal Reserve Banks throughout the country will be guided by a similar policy in making current payments for government account. This action, the Treasury says, removes the last restrictional restriction upon gold payments in this country, though gold has at all times during and since the war been freely paid out by the Treasury and the Federal Reserve Banks whenever demanded in payment of gold obligations.

March Installment of Income Taxes Feels Dangerously Low
(Washington News Service)

The Treasury is much disappointed in the March 15 payment of income tax. The estimates of collection, conservatively made for purposes of the budget, called for a March 15 payment of $180,000,000. Indications are that the payment will not go over $400,000,000 and possibly may fall considerably below that amount. This will mean that for the fiscal year ended June 30, 1922, a deficit of well over $100,000,000 will be shown. Appropriations already have been made for the fiscal year on the basis of the budget estimate and, therefore, it will be necessary for the Treasury to sell enough Certificates of Indebtedness to put itself in funds to meet the appropriations. By just this amount, the retirement of the public debt will be delayed.

Plan to Plant Another Tree

We plan our homes, our churches, schools,
Our boulevards, our parks and pools;
We plan our music, songs and books,
Our gardens and our angle nooks;
We plan our children's hours so they
May have some sunshine every day;
We plan our lives and with a sigh
Cease planning only when we die.
But all through life how seldom we
Plan to plant another tree.

So plant a tree and watch it grow,
Through it some of your blood may flow;
It may become a safe retreat
That friends will seek with eager feet,
And 'neath its shade in cool content
Bless it - your living monument.
A tree that sings a lullaby
To every pilgrim passing by,
And reaches out a friendly limb,
As if to shade and shelter him.
Selfish - selfish indeed is he
Who never plans to plant a tree.

A tree, a shady, sheltering tree,
Is like a living prayer to me,
A prayer that grace and comfort lends
To mortal man e'er it ascends
In thankfulness to bless the hand
That planning it, both worked and planned,
"A tree whose thirsty mouth is prest
Against the earth's sweet flowing breast;
A tree that looks at God all day,
And lifts its leafy hands to pray;
Poems are made by fools like me,
But only God can make a tree."

(T. H. Kendall, Aurora, Ill.)

Second-Hand Fixtures for Sale

Complete set of oak fixtures to be released about September first. Art glass and grille in good condition throughout. Portrait and description furnished upon request to First National Bank, O'Fallon, Illinois.

Federal Tax Opinions

Archibald Harris and Company, Certified Public Accountants
Accounting and Tax Counsellors for the Association, Chicago

NET LOSSES FOR "CASH BASIS" TAXPAYERS

QUESTION: Will you please advise us whether taxpayers who report on a cash receipts and disbursement basis may take as a deduction from net income for 1922, net losses suffered in 1921.

ANSWER: A taxpayer may, in our opinion, claim net loss for the year 1921 as a deduction from income for the year 1922 regardless of whether he has been reporting on a cash receipts and disbursement basis. For your further convenience, we are quoting below Section 204 of the Revenue Act of 1921, which goes even more fully into the subject:

"If for any taxable year beginning after December 31, 1920, it appears upon the production of evidence satisfactory to the Commissioner that any taxpayer has sustained a net loss, the amount thereof shall

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"If for any taxable year beginning after December 31, 1920, it appears upon the production of evidence satisfactory to the Commissioner that any taxpayer has sustained a net loss, the amount thereof shall

be deducted from the net income of the taxpayer for the succeeding taxable year; and if such net loss is in excess of the net income for such succeeding taxable year, the amount of such excess shall be allowed as a deduction in computing the net income for the next succeeding taxable year; the deduction in all cases to be made under regulations prescribed by the Commissioner with the approval of the Secretary."

FILING DATE AND EXTENSION FOR FISCAL TAXPAYERS

QUESTION: (1) Please inform us fully regarding time within which new returns are to be filed for fiscal years ending in 1921; under the new Revenue Law.

(2) Do you think that the general extension to June 15th will apply in case of such return.

ANSWER: (1) As to the information on fiscal year filing, T.D. 3305, gives it concisely, so we are showing it below:

(T.D. 3305)

"Time within which new returns under Revenue Act of 1921 for fiscal year ending in 1921 are to be filed. -- If any taxpayer has before November 23, 1921, filed a return for a fiscal year ending in 1921, and paid or become liable for a tax computed under the Revenue Act of 1918, and is subject to additional tax for the same period under the Revenue Act of 1921, the return covering such additional tax shall be filed at the same time as the returns of persons making returns for the fiscal year ending February 28, 1922 are due under the law and regulations, and payment of such additional tax is due in the same installments and at the same times as in the case of payments based on [illegible] If no part of the tax for the fiscal year was due until after November 22, 1921, the whole amount of tax, due, including the tax due under the original return and the additional tax due under the new return, will be payable in the same installments and at the same times as in the case of payments based on returns for the fiscal year ending February 28, 1922. Attention is directed to the provisions of Section 214 (a) (9) and 234 (a) (8) of the Revenue Act of 1921. (T.D. 3305, signed by Commissioner D.H. Blair, and dated March 16, 1922.)

(2) It is our opinion that the general extension to June 15 will apply in this case also, if tentative returns are filed on or before May 15 and one-fourth the estimated tax is paid.

LIBERTY BOND EXEMPTIONS

QUESTION: We would like to know what the present ruling on Liberty Loan and Victory Bonds is for the year 1921 relative to income tax. We have about $50,000 in Victory Bonds and our profits have been big enough that the excess profits tax has rendered these Bonds to about 2 3/4% interest basis. I say that for the reason we could carry the same amount in Third Liberty Loan or any other loan and save several hundred dollars tax. The new law may provide for a new bracket on the returns for 1922 and as they are selling above par, makes me believe there is some advantage in keeping them over until maturity. We would like to have the facts and your opinion relative to any transfer.

332.06
ILL

ANSWER: The Revenue Act of 1921 provides that all of the so called Liberty Bond or Victory Bond issues are exempt from normal tax. In addition, all the 4% and 4 1/4% Liberty Bonds are exempt from surtaxes and excess and war profits taxes for a period of two years after the date of the termination of the war with the German Government on an aggregate principal amount of $125,000. and for three years more on an aggregate principal amount of $50,000. The first loan, 3 1/2% bonds, converted into 4 1/4% bonds (issue dated October 24, 1918) are exempt from surtaxes and excess and war profits taxes on an aggregate principal not to exceed $30,000. In addition to these specific injunctions, all the 4% and 4 1/4% issues, Treasury Certificates of Indebtedness, and Treasury War Savings Certificates are exempt from surtaxes and excess and war profits taxes on an aggregate principal amount of $5,000.

The exemptions quoted above make it possible to own $130,000 principal amount of 4% and 4 1/4% issues and $30,000 of the first-second converted 4 1/4% issue exempt from all Federal taxation. In view of the circumstances recited in your letter, it is our opinion that a net saving will result to you by the conversion of your Victory Bonds into any other 4 1/4% issues.

DEDUCTION OF BOND DEPRECIATION

QUESTION: Please give us your opinion relative to the deduction of bond depreciation from gross income for Federal income tax purposes.

ANSWER: Article 154, Regulations 62, which relates to the Revenue Act of 1921, provides in part as follows:

> evidenced by bonds or other [illegible] possessing debts income any amount merely on account of market fluctuations. [illegible] payer ascertains, however, that due, for instance, to the financial condition of the debtor, or conditions other than market fluctuation, he will recover upon maturity none or only a part of the debt evidenced by the bonds or other similar obligations and is able to so demonstrate to the satisfaction of the Commissioner, he may deduct in computing net income the uncollectible part of the debt evidenced by the bonds or other similar obligations."

From the foregoing it is apparent that depreciation of bonds resulting from market fluctuation does not constitute an allowable deduction for income tax purposes. If, however, due to the insolvency of the debtor, it is your opinion that the bonds in question are worthless, it is your privilege to charge off the entire amount of such bonds or write them down to a merely nominal value, claiming as a deduction in your income tax return the amount of the loss sustained. It would be advisable for you to file amended returns, eliminating therefrom the deduction which you have taken on account of bond depreciation.

332.06
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Illinois Bankers Association

PRESIDENT, JOHN A. CATHCART, SIDELL.

VICE PRESIDENT, WIRT WRIGHT, NAT. STOCK YARDS.
TREASURER, W. W. CRABB, DELAVAN.
SECRETARY, M. A. GRAETTINGER, CHICAGO.
ASST. SECRETARY, OLIVE S. JENNINGS, CHICAGO.

THE ILLINOIS BANKERS ASSOCIATION — UNITY AND PROGRESS — 1891

TELEPHONE WABASH 2288
208 SOUTH LA SALLE STREET
Chicago

May 22, 1922

WEEKLY BULLETIN NO. 47

Series 1921 - 1922

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Membership Campaign

Christian and Pike Counties have gone "over the top." The enrollment of their last non-members, - the First National Bank of Assumption and the First National Bank of Nebo, - during the week, giving them 100% membership.

May 30 Proclaimed as Decoration Day

A proclamation setting May 30 as Memorial Day and calling upon all cities, towns and communities in the state to observe it with "patriotic exercises in honor of our heroic dead," was issued by Governor Small.

"It is our great privilege", the Governor's proclamation says, "at an appointed time each year to join in a national tribute of gratitude and affection to our soldier and sailor dead. The laws of the State of Illinois provide for the observance of Decoration Day on May 30, so I hereby ask the cooperation of the people of the State with the Grand Army of the Republic, the United Spanish War Veterans, the American Legion and Veterans of Foreign Wars in appropriate observance of the day."

False Statements Being Made Relative to Burglar Alarms

It has come to our attention that a certain representative of a burglar alarm company is making the statement that its system has been given the highest award by the Underwriters Laboratories which is making a test of all systems at the request of the National Burglary Underwriters Association and is also making derogatory statements relative to other companies and their devices. To our certain knowledge, no reports have been made as to the findings of the Laboratories and it would appear that any such statements are entirely without foundation.

We understand that the Laboratories' report will be made on or about July first and it is the intention of this office to give this information for the benefit of the members just as soon as it can be obtained. Until then, statements of the above character should be taken with the proverbial grain of salt.

Governors to Debate Here

Governors of at least eight states are expected to be in Chicago on May 23.

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Governors to Parley Here

Governors of at least eight states are expected to be in Chicago on May 23.

Six of them already have accepted invitations to the debate on the St. Lawrence waterway project, to be held between Gov. Henry J. Allen of Kansas, affirmative, and Gov. Nathan L. Miller of New York, who will take the negative. The debate which will be under the auspices of the Illinois Manufacturers' Association, will follow a dinner at the Hotel La Salle.

The Governors who have announced their intention to be present, in addition to the principals to the debate, are: William C. Sproul of Pennsylvania; Warren T. McCray of Indiana; J. A. O. Preuss of Minnesota; W. H. McMaster of South Dakota; M. C. Mechem of New Mexico; Thomas E. Campbell of Arizona.

Gives Cure for Europe
(Press Note)

Europe to escape the bankruptcy toward which it is headed, must alter its political, economic, and financial course. It must balance budgets, restore the gold standard, cancel paper money, reestablish trade relations, and throw away an attitude of distrust, fear and jealousy.

Joseph R. Noel, former head of the Chicago Association of Commerce, and president of the Noel State Bank, Chicago, returning from a three months' tour of Europe and the Mediterranean countries, thus pointed out what is needed on the other side of the ocean.

"I believe in future years we will find it expedient, from a purely selfish motive, to cancel the debts of billions that Europe owes us," he said. "But we should first put over some good old-fashioned Yankee bargaining and get reduction of their armies, repudiation of paper money, and the cessation of extravagant expenditures and trade barriers."

Harding Talks of New Era
(Washington News Service)

President Harding, speaking on May 18th before the Chamber of Commerce of the United States, declared that the country "at this very moment is on the threshold of a new era; business is reviving and the country is finding itself." The government, he said, was greatly interested in restoration of normal world business and economic conditions, and he added that there was no disposition on its part to hold aloof from other nations. American industry, however, he said, should not be destroyed to build up the commerce of other lands.

The President declared there was no one constructive thought in the mind of the administration at present which took precedence over that of a desire to establish firmly and successfully an American merchant marine.

"If there is any one realization," said President Harding, in the course of his address, "which fixes itself in the mind of one charged with great responsibility it is the conviction that the business life of the republic is the reflex of all its good fortunes. I think I can venture to say that commerce and civilization go hand in hand, and were it not for commerce there would be no civilization. Commerce finds its place in all our considerations. Undoubtedly it had much to do with the bringing about of the world war and I think I can say just as confidently that it was never once forgotten in the negotiation of peace. * * * From the great golden stream of commerce flows everything in life worth while.

"I wish to speak for a commerce with a conscience. If I were to bring only one admonition to you, I would like to charge you with the task of eliminating from American commerce those who do not have conscience, whose conscienceless practices bring that criticism which sometimes attends our American activities."

Jules H. Barnes of Duluth, Minn., was elected President of the National Chamber to succeed Joseph H. Defrees of Chicago; Vice-President for the northern states, Thomas E. Wilson of Chicago.

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Federal Legislation
(Washington News Service)

-Report on Bill to Extend War Finance Corporation-

The House Banking and Currency Committee ordered a favorable report on the Young bill which was substituted for S2775. Under this bill the War Finance Corporation may issue bonds until January 1, 1926, having a maturity not later than June 30, 1926. Loans may be made under the bill until June 30, 1923 upon applications filed up to May 31 next year.

-Against Tax Exempt Securities-

A written report on the resolution proposing an amendment to the Constitution to terminate the issue of tax-exempt securities, recently ordered reported by the Ways and Means Committee, was submitted in the House by Representative Green of Iowa.

The report estimates tax-exempt securities outstanding at between ten and eighteen billion dollars. It points out that a constitutional amendment to cope with the situation was recommended by President Harding in his message of December 6th.

"The existence of conditions that enable any municipality or political subdivision to issue tax-free securities is a constant temptation to issue such securities in larger amounts than is necessary," the report says. "It amounts to a subsidy to every such corporation with regard to its own direct borrowings. It also operates as an inducement to every municipality to have all kinds of public utilities owned and controlled by the municipality itself, thereby escaping its proper share of Federal and State taxation."

-"Blue Sky" Bill Passed in House-

On April 28 the House passed the Dennison "Blue Sky" Bill (H.R. 10598) to prevent the use of the mails and other agencies of interstate commerce for the transportation and for promoting and procuring the sale of securities contrary to the laws of the states.

-New Bills-

Legislation liberalizing the Federal Reserve Act to permit small State Banks to enjoy the facilities of the system, was proposed in a Bill - S 3531 - introduced by Senator Harris, of Georgia. Senator Harris said he had discussed the bill with members of the Federal Reserve Board and with Eugene Meyer, Jr., Managing Director of the War Finance Corporation, and had secured their approval for the idea.

The bill would amend Section 9 of the Federal Reserve Act to allow State Banks, with capital of at least 60 per cent of the amount that would be required, to permit them to become national banking associations under the National Banking Act, to enter the Federal Reserve System as member banks.

The banks would be required under the bill to set aside annually, in a special fund, an amount not less than 20 per cent of their net income for the preceding year, from which to increase their capital from time to time, until each would have a paid and unimpaired capital equal to the amount at present required for membership.

Representative Appleby, of New Jersey, introduced a bill- H.R. 11534 - which would amend the first paragraph of section 7 of the Federal Reserve Act, which

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Representative Appleby, of New Jersey, introduced a bill- H.R. 11534 - which would amend the first paragraph of section 7 of the Federal Reserve Act, which

provides for the distribution of earnings of reserve bank members of the Federal Reserve system. Under the bill the stockholders would continue, as at present, to receive 6% as an annual cumulative dividend which, however, might be paid out of any surplus available in excess of 100% of the subscribed capital of the reserve bank. The franchise tax payable to the United States after dividend requirements have been met would, under the bill, for the year 1922 and subsequently, be limited to the aggregate amount paid as cumulative dividends for each year. The remaining net earnings would go to surplus until this latter fund equals 100% of subscribed capital, subsequent payments to this account to be at the rate of 10%, the remaining 90% to be distributed among the stockholding member banks in the proportion of their average reserve balances during the year.

-Compensation to Veterans-

Statistics compiled for the Senate Finance Committee and made public recently, show that the Government since the war has expended $1,979,260,000 for relief of former service men and their families. Appropriations totaling this amount have been made in thirty-one Appropriation bills. The total includes the payment of bonuses, the cost of hospitalization, insurance, vocational training, and family allowances. The largest single sum, $557,150,000, went for military and naval compensation, and the second largest sum, $469,123,000, for vocational training.

-To Study Farm Credits-

Senator Capper, Chairman of the agricultural bloc, has appointed the following Senators as a committee to study the various agricultural credits bills that have been introduced and report their recommendations to the bloc: Senators Capper, McNary, Jones of Washington, Ladd, Kendrick, Harrison and Swanson.

Stage Demonstration
(The National Underwriter)

The reciprocal insurance companies inaugurated a very clever stunt in connection with the meeting of the Executive Council of the American Bankers Association at White Sulphur Springs, West Virginia, a few days ago. The report was bruited abroad that O. G. Foreman, Chairman of the Insurance Committee of the Association, intended to spring a set of resolutions branding reciprocal insurance as unsafe. The reciprocals started a counter-attack. The big fire and compensation reciprocals got prominent assured to go to their banks and in many cases induced bank officials to telegraph, write or telephone Mr. Foreman and other members of the Committee, protesting against any attack that might be made on the reciprocals. The reciprocals were able to make a rather formidable demonstration.

When the matter was sifted down it was found that Mr. Foreman never had any notion of preparing such resolutions. He has no idea where the rumor started or how the report got going. It never entered his mind to bring up the subject. A number of the bankers now feel that the reciprocals either originated the story or following its inception in a rather quiet way, took special pains to spread it, so that they could stage a demonstration to impress the bankers with their influence. The stock companies organizations, whether comprised of companies or agents, knew nothing whatever of the rumor. The whole proposition has rather a fishy appearance.

Teach Sound Economics

The nation wide educational campaign by which the bankers through radio,

school lectures and public addresses are injecting principles of sound economic understanding among the children and the foreign-born to combat radical propaganda and unsound money doctrines, was described by John H. Puelicher, first Vice-President of the American Bankers Association and chairman of its Public Education Committee, before the convention of the Maryland Bankers Association, held this week.

Mr. Puelicher brought out that although the basis of population of this country is Anglo-Saxon, there exists a large percentage with traditions and racial prejudices radically different. Most of these people are thrifty, he said, so the logical way to educate them and their children is through their local banker, who has the opportunity to prevent their getting the unsound economic opinions and soft-money policies that are floating around today.

Thirty-seven states and the District of Columbia are organized and working, he said. More than 1,500 bankers spoke in California, and in Pennsylvania simple bulletins are issued each month. At least 130,000 high school pupils alone have been reached this last year.

Time Extension on Victory Note Purchase
(Washington News Service)

Secretary Mellon has announced that the authorization given to the Federal Reserve Banks, to purchase 4 3/4 per cent Victory notes direct from holders at par and accrued interest up to an aggregate amount of $100,000,000, further has been extended from May 15 to June 15, 1922. Due to the fact that the transfer books of registered notes will be closed until June 15, on account of the interest payment then due, it will be necessary with respect to any registered notes presented under this authorization after May 15, for the holders to pay in each case to the United States an amount equal to the interest from the date of the purchase to June 15. Checks for interest due June 15 will be issued in regular course in favor of the holders of record at the close of business May 15.

Change in Farm Loan System is Advocated
(Press Note)

A change in the Federal Farm Loan Act that would make possible cooperation between more than 30,000 banks with the Farm Loan System was urged by George Woodruff, Vice President of the National Bank of the Republic of Chicago, speaking before the Missouri Bankers Association.

"Section 15 of the act now provides," said Mr. Woodruff, "that under certain circumstances, incorporated banks, trust companies, mortgage companies, or savings institutions, chartered by the states in which each has its principal office, may be employed by the Federal Land Banks as agents to procure and handle loans, but this agency arrangement is not sufficiently attractive to interest the banks. A paragraph might be added providing for membership in the system for these financial institutions now enumerated in the law, together with national banks, most of which are already engaged to a limited extent in the farm loan business.

> "An amendment of this nature would in no way give the banks control of the system because the banks would not own stock and would consequently have no votes. Farmers have objected to proposals that the country banks buy stock in the system, and consequently it would seem to be wise to compel the member banks to buy Farm Loan Bonds instead of stock. This would help to provide a broad market for the bonds, and a broad and continuous market for the bonds is one of the things that has been greatly needed by the system in order that it might adequately and uninterruptedly serve the farmer."

Working Together
(The Prairie Farmer)

"The two livest business organizations in the state are the Illinois Chamber of Commerce and the Illinois Bankers Association. These two organizations have been cooperating effectively with the I.A.A. in connection with taxation and a number of other matters before the constitutional convention. Now the three organizations have met again to put their combined force back of the St. Lawrence waterway. It is encouraging to see farmers and business men working together in this friendly way on the many problems where their interests are mutual."

Position Wanted as Cashier or Assistant Cashier

Wanted - Position as Cashier or Assistant Cashier in small country bank, by an experienced man; age twenty-four years; now employed. Can give best of references. Handle both posting machine and typewriter. Address CCN 58 c/o Illinois Bankers Association, 208 S. La Salle St., Chicago.

ANYONE WHO THINKS OF ACCEPTING A RECIPROCAL POLICY OUGHT TO SUBMIT THAT POLICY TO HIS LAWYER, AND ASK THAT LAWYER IF THERE IS A CLEAR, DEFINITE AND ECONOMICAL METHOD OF COLLECTING ON THAT POLICY, IN THE EVENT THAT THE ATTORNEY-IN-FACT SHOULD REFUSE OR BE UNABLE TO PAY A LOSS.

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Illinois Bankers Association

PRESIDENT, WIRT WRIGHT, NAT. STOCK YARDS.

VICE PRESIDENT,
M.A. TRAYLOR, CHICAGO.

TREASURER,
C.A. BEERS, ROCK ISLAND.

SECRETARY,
M.A. GRAETTINGER, CHICAGO.

ASST. SECRETARY,
OLIVE S. JENNINGS, CHICAGO.

THE ILLINOIS BANKERS ASSOCIATION
UNITED FOR PROGRESS
1891

UNIVERSITY OF ILLINOIS

TELEPHONE WABASH 2288

208 SOUTH LA SALLE STREET

Chicago

DEPARTMENTS

PROTECTIVE
J. L. SCHLENER, MANAGER
208 SO. LA SALLE STREET, CHICAGO

LEGAL
GEO. E. FINK, COUNSEL
203 CHAMBER OF COMMERCE BLDG., CHICAGO

FEDERAL TAXATION AND ACCOUNTING
ARCHIBALD HARRIS & CO., COUNSELLORS
MARQUETTE BLDG., CHICAGO

January 22, 1923

WEEKLY BULLETIN NO. 30

Series 1922 - 1923

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HURRY YOUR RESERVATIONS FOR THE ANNUAL MID-WINTER DINNER
HOTEL LA SALLE BALL ROOM, WEDNESDAY, JANUARY 24TH
6:30 P.M.

"WISCONSIN NIGHT"

SPEAKERS: MR. JOHN H. PUELICHER, President Marshall & Ilsley Bank, Milwaukee. President American Bankers Association
"THE EDUCATIONAL URGE"

MR. J. M. SMITH, President Wisconsin Bankers Association
Vice President Lumbermens Bank, Shell Lake, Wisconsin
"WISCONSIN"

HON. M. B. ROSENBERRY, Associate Justice Supreme Court of Wisconsin
"BUSINESS AND THE CONSTITUTION".

Bankers' Mid-Winter Conference

Coming to the Annual Mid-Winter Dinner will give you an opportunity to also attend the two-day conference on the 25th and 26th, detailed notice of which has been mailed to the membership. Discussions on Thursday will cover the following subjects: Insurance, Safe Deposit Box Liability, Legislation and Protection. Friday will be devoted to a Short Course on Federal Taxation, under the direction of Archibald Harris & Company, the Association's Tax Counsellors.

All sessions will be held in the East Room (Mezzanine Floor) Hotel La Salle. Morning sessions will begin at 9:30 o'clock.

Group Meetings

The places selected for the 1923 group meetings are as follows:

Group	Place of Meeting
1	Monmouth
2	Canton
3	DeKalb
4	Lake County
5	Clinton

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7	Springfield
8	Jerseyville
9	Flora
10	Cairo

The Group Four meeting will be held somewhere in Lake County, but the place cannot be determined until the date is set. Dates have not been definitely determined, but it is probable that the southern groups will hold their meetings during the week of May 20th and the northern groups during the week of June 3d.

Public Education

The fourth talk in the Public Education series, "CHARACTER - THE BASIS OF BANK CREDIT" is enclosed with this issue. Bankers are requested to have this reprinted in their local papers.

Lower Court Upholds Bonus Act
(Press Note)

Although dismissing the Hagler bill for injunction to restrain further activities of the bonus service recognition board, and, in effect, upholding the validity of the $55,000,000 soldiers' bonus act, Judge E. S. Smith of the Sangamon County Circuit court, in an opinion on Monday last, expressed serious doubt over the constitutionality of one feature of the law.

"The serious trouble in this case," Judge Smith said, "is the fact that the act provides for additional compensation for services already rendered."

Attorney Noah C. Bainum, counsel for Dr. E. E. Hagler, Springfield specialist and president of the chamber of commerce at Springfield, who applied for the injunction, had attacked the validity of the bonus act on the ground that the constitution of Illinois expressly prohibits payment of compensation for past services.

An appeal from Judge Smith's decision will be filed in the Supreme court immediately and an effort will be made to obtain a final decision from the higher court during the February term.

New Officers Illinois Agricultural Association

At its Annual Meeting held in Chicago last week, the Illinois Agricultural Association elected Samuel Thompson, Quincy, President, and A. O. Eckert, Belleville, Vice President.

First Herrin Jury Acquits Defendants

The five defendants who were charged with the murder of Howard Hoffman in the Herrin Massacre last June were acquitted by the jury which had been hearing the case. Attorney-General Brundage in a statement to the Press, said that the State would continue its prosecution of those indicted in connection with the mine riots. He also said that he believed all five acquitted men guilty and ascribed the acquittal to "the spirit of intimidation that prevails in the Herrin district today." John H. Camlin, President of the Illinois Chamber of Commerce, urges energetic and relentless efforts by the authorities to punish the murderers. "The verdict is the jury's verdict and we must accept it. Somebody, it will not be denied, murdered twenty-one men at Herrin last June and the crime has not been punished. It must be."

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Howard M. Sims, now Chief National Bank Examiner of the Minneapolis district, will succeed Fred Brown, present Chief Examiner of the Chicago District, who has resigned, effective February 1st, to accept the Vice-presidency of the First National Bank, Detroit.

New Association to Push Illinois Waterway

At a conference called by Senator Frank O. Hansen of Bloomington, Chairman of the Illinois Joint Legislative Committee, a new organization which is to be known as the Illinois Waterway Association, was formed. This will include all organizations in the state that already have waterways committees and it is the purpose of the new Association to invite all other Civic and Commercial Bodies in the state to appoint immediately committees to work on the undertaking, and incidentally come into the new formed group in order that the business men of the entire state may work together to bring about legislation by Congress to provide for the necessary flow of water from Lake Michigan.

R. H. Garm of the First State Bank, Beardstown, was elected president and George E. Stephens, Editor of the Illinois Journal of Commerce, Secretary.

The Illinois Bankers Association was represented at the conference by W.G. Edens, Chairman of the Committee on Transportation.

Are you Reading the Legal Bulletin?

Special attention is called to a series of articles which will appear in the legal bulletin from time to time on forged checks, being a reprint from the Banking Law Journal, New York, which has kindly granted permission.

Bank checks, especially checks bearing a forged signature or a forged indorsement, give rise to a large number of disputes, which are eventually settled in court. More often than not the loss involved in litigation of this character falls upon a bank. Much of this litigation is preventable because much of it is the result of ignoring some elementary rule of banking law, applicable to checks.

The intent of this series of articles is to set forth in their proper order, the rules of law regulating the issuance, collection and payment of bank checks and explain them by reference to decisions, in which the various rules have been applied.

Minimum of Three National Bank Calls Annually Hereafter

President Harding has signed the bill recently passed by Congress which reduces the minimum of calls on national banks for report of financial condition to three annually instead of five.

Simplification of Income Tax Forms for Banks

The Committee on Simplified Income Tax Returns of the Secretaries Section of the American Bankers Association, of which Secretary Keyser of Missouri is Chairman, has again taken up with the Washington authorities the matter of securing a simplified form and in order to show that there was a general demand by bankers in all parts of the country for a change in the income tax blanks, the Secretaries of the Bankers' Associations in the various States were asked to write or wire the Tax Simplification Board At Washington requesting favorable action. There was a general response to this request, but the Board replied that it did not feel it advisable to adopt a special form of return for banks for 1922,

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The Committee has not yet given up its efforts and has had a representative at Washington consulting with the members of the Simplification Board to bring about the relief asked for as early as possible.

A. B. A. Agricultural Commission Program

The Agricultural Commission of the American Bankers Association of which Burton M. Smith of North Lake is Chairman, has mapped out its program for the year, its recommendations having been adopted by the Administrative Council of the A. B. A. Following are some of the important features of the work to be conducted:

Employment of a paid agricultural expert whose duties will be to confer with bankers and farmers, also with industrial organizations.

To increase the membership in the A. B. A. by showing the small country bankers how the national association could assist him in developing the community's agricultural interests.

Appointment of an executive committee of the Agricultural Commission to be composed of either three or five members with full power to act between meetings of the commission.

Closing of Branch Bank Asked

The Association of Missouri Banks and Trust Companies Opposed to Branch Banking has telegraphed Comptroller of the Currency Crissinger suggesting that as a "matter of justice and consistency" he should order the closing of the branch being maintained in St. Louis by the First National Bank.

The telegram, signed by Frank T. Hodgdon, president of the association recites that press dispatches have told of an order by Crissinger closing two branches of the National Bank of Tacoma, Wash., on the ground that state banking laws of Washington prohibit branch banks. The position taken by the association is that since Missouri laws do not permit state banks to have branches, Crissinger should take the same action in respect to the First National Bank's Branch.

A decision in litigation over the right of the First National Bank to maintain a branch is now pending in the Supreme Court of Missouri.

Analyzes World Outlook
(Press Note)

The key to the American business and financial outlook for 1923 is closely tied to pending developments in Europe, says John Moody in his annual review and forecast. Should the reparation problem reach an early settlement in 1923, the reaction on America would be far-reaching and profound, he says. Mr. Moody foresees a probable settlement of the reparations and German financial problem during 1923, and expresses the belief that such an event will immediately have a most favorable effect upon American business, particularly in enlarging the market for agricultural products. The impoverishment of the American farmer indicates that the present business revival is not altogether healthy. In the fall of 1922 the average purchasing power of the agricultural population was only 64 per cent of what it was in 1913, while that of union labor averages from 90 per cent to 130 per cent in 1913. "Obviously," writes Mr. Moody, "prosperity must become more evenly distributed if we are to have confidence in a healthy expansion of business during and after 1923." Mr. Moody expects relatively low interest rates to prevail during 1923 and general ease in the money market, with only slight seasonal changes. Prices of high-grade

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Warns of Credit Misuse
(Press Note)

The manner in which credit is used will govern happenings in the business world during the ensuing year, according to a statement issued by the Administrative Committee of the National Association of Credit Men. The dangers of using credit for speculative purposes was pointed out, and the necessity of employing it for legitimate enterprises only, was stressed.

"Today credit is in a very much better situation than it was a year ago," says the statement issued by Curtis R. Burnett, Chairman of the committee. "The reason most prominent for this improvement is the resistance of credit to artificial control. The laws of credit are inexorably expressed and eventually will assert themselves.

"We lay it down, however, as an infallible doctrine, that what will happen in 1923 shall depend upon the manner in which credit is used. The year will be bristling with opportunities for skillful and devoted work."

Fake Stock Schemes Cost U. S. Purchasers
600 Million in 1922
(Press Note)

Promoters of spurious stocks mulcted the public for more than $600,000,000 during the past year, a startling jump from $250,000,000 a few years previous, according to a resolution adopted by the Executive Board of the Associated Advertising Clubs of the World. Oil promotions proved to be the most profitable for the swindlers, it was declared, one scheme alone, that of "reorganizing" defunct concerns, cost their victims more than $40,000,000.

In the resolution adopted the committee urges Congress to enact special appropriations for the curtailment of the fake promotions and urges the national, state and city authorities to give greater attention to the swindles that for daring and big clean ups have been unsurpassed in the history of the country.

The Texas oil stock swindlers are going to extreme lengths in putting over their schemes, according to William P. Green of New York, director of the National Vigilance Committee.

"Deprived of the use of advertising columns of most newspapers, "he said, "promoters are resorting to publication of their own journals, through the columns of which they feature the schemes in which they are interested. Another clever method is to merge defunct oil companies, the stockholders of which are then approached with the appeal that an additional payment will save their original investment."

"The Federal Government", he said, "is making intensive efforts to halt the use of mails by promoters of fraudulent schemes and during the year has made some notable roundups."

Exchange of War Savings Certificates Urged
(Washington News Service)

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expired January 15, exchanges may still be made as of the date of presentation, and surrender, the new treasury savings certificates issued being dated and carrying interest from the date of exchange. In order to avoid further loss of interest, holders of war savings certificates desiring to make this exchange are urged by Secretary Mellon to present them to the nearest postoffice, the postoffice of registration in the case of registered certificates, or to a Federal Reserve bank or branch or the treasury at Washington.

Second-Hand Bank Fixtures for Sale

For Sale Cheap - Golden Oak Fixtures with marble base, about 50 ft. long. Delivery within the next thirty days. If interested, Address American State Bank, Bloomington.

Federal Tax Opinions

Archibald Harris & Company, Certified Public Accountants
Accounting and Tax Counsellors for the Association, Chicago

FILE RETURNS MARCH 15TH

QUESTION: Will you kindly tell me when the regular yearly income tax forms have to be made out?

OPINION: We wish to advise you that for year ending on a calendar basis the regular yearly income tax returns must be made out and filed on or before March 15th, 1923.

DISTRIBUTING PROFITS FOR 1922

QUESTION: What is the best way to distribute the profits of the bank for the year 1922, for tax purposes?

OPINION: It is quite possible that we do not fully understand your problem. However, we assume that you refer to distributing the net profit to Surplus or Undivided Profits and the possibility of a tax on the Undistributed Net Income.

It is our opinion, that there is little probability of a direct tax on undistributed net income in the near future. The tax on undistributed net income as provided in the Revenue Act of 1921, now in force, can only be assessed in the event that it can be proved that it is not needed in the business.

TAXES PAID BY BANK FOR STOCKHOLDERS

QUESTION: May a bank deduct, for income tax purposes, taxes paid on what is termed personal property?

OPINION: You are advised that the tax for 1919 was assessed and collected under the Revenue Act of 1918 which provided that taxes paid by banks for stockholders on stock of the bank could not be deducted as an expense by the bank. It was considered as an additional dividend to the stockholders and was required to be reported by them as such and the stockholder was then permitted to make a reduction on his return for the amount of tax paid by the bank for him.

Under the 1921 law this has been changed. Banks may now deduct these taxes paid for stockholders and the stockholders no longer consider them as additional dividends and may not deduct the amount of such taxes on their return unless they have reimbursed the bank for such payment.

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expired January 15, exchanges may still be made as of the date of presentation, and surrender, the new Treasury savings certificates issued being dated and carrying interest from the date of exchange. In order to avoid further loss of interest, holders of war savings certificates desiring to make this exchange are urged by Secretary Mellon to present them to the nearest postoffice, the postoffice of registration in the case of registered certificates, or to a Federal Reserve bank or branch or the treasury at Washington.

Second-Hand Bank Fixtures for Sale

For Sale Cheap - Golden Oak fixtures with marble base, about 50 ft. long. Delivery within the next thirty days. If interested, Address American State Bank, Bloomington.

Federal Tax Opinions

Archibald Harris & Company, Certified Public Accountants
Accounting and Tax Counsellors for the Association, Chicago

FILE RETURNS MARCH 15TH

QUESTION: Will you kindly tell me when the regular yearly income tax forms have to be made out?

OPINION: We wish to advise you that for year ending on a calendar basis the regular yearly income tax returns must be made out and filed on or before March 15th, 1923.

DISTRIBUTING PROFITS FOR 1922

QUESTION: What is the best way to distribute the profits of the bank for the year 1922, for tax purposes?

OPINION: It is quite possible that we do not fully understand your problem. However, we assume that you refer to distributing the net profit to Surplus or Undivided Profits and the possibility of a tax on the Undistributed Net Income.

It is our opinion, that there is little probability of a direct tax on undistributed net income in the near future. The tax on undistributed net income as provided in the Revenue Act of 1921, now in force, can only be assessed in the event that it can be proved that it is not needed in the business.

TAXES PAID BY BANK FOR STOCKHOLDERS

QUESTION: May a bank deduct, for income tax purposes, taxes paid on what is termed personal property?

OPINION: You are advised that the tax for 1919 was assessed and collected under the Revenue Act of 1918 which provided that taxes paid by banks for stockholders on stock of the bank could not be deducted as an expense by the bank. It was considered as an additional dividend to the stockholders and was required to be reported by them as such and the stockholder was then permitted to make a reduction on his return for the amount of tax paid by the bank for him.

Under the 1921 law this has been changed. Banks may now deduct these taxes paid for stockholders and the stockholders no longer consider them as additional dividends and may not deduct the amount of such taxes on their return unless they have reimbursed the bank for such payment.

332.06
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Illinois Bankers Association

PRESIDENT, WIRT WRIGHT, NAT. STOCK YARDS.

VICE PRESIDENT,
M.A. TRAYLOR, CHICAGO.

TREASURER,
C.A. BEERS, ROCK ISLAND.

SECRETARY,
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TELEPHONE WABASH 2288

208 SOUTH LA SALLE STREET

Chicago

DEPARTMENTS

PROTECTIVE
J. L. SCHLENER, MANAGER
208 SO. LA SALLE STREET, CHICAGO

LEGAL
GEO. E. FINK, COUNSEL
203 CHAMBER OF COMMERCE BLDG., CHICAGO

FEDERAL TAXATION AND ACCOUNTING
ARCHIBALD HARRIS & CO., COUNSELLORS
MARQUETTE BLDG., CHICAGO

February 5, 1923

WEEKLY BULLETIN NO. 32

Series 1922 - 1923

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A Message From The President

The 1923 Midwinter Council Meeting and Dinner is splendid history. Attendance and enthusiasm at the Dinner surpassed all records, and for the success of this prime social event of the Association year, Secretary Graettinger and his associates are entitled to sincere praise and congratulations.

Reports from the various committees to the Council reflected an enormous amount of self-sacrificing effort for which our membership is greatly obligated. One group of reports, such as those from the Committees on Agricultural and Commercial Relations, State and Federal Legislation, Taxation, Transportation and Public Education, dealt with the general public welfare and the Council approved recommendations of far-reaching importance on these matters. A second group, from the Committees on County Federations, Protective Department, Insurance and Banking Service, were directed more especially to the interests of our Association and the banking business.

As you will observe from the Insurance Bulletin which you have recently received, the Council endorsed a report by the Insurance Committee of unusual interest to our membership, and instructed the Administrative Committee to develop such measures as seem practicable to put the recommendations of the Committee into effect.

These recommendations are the result of some years of experience by our Secretary and careful study of the whole insurance situation by the Committee with the assistance of experts. They are by no means so radical as hasty consideration might indicate. Above all, the plans suggested represent a concrete effort to relieve our member banks of the present intolerable cost of their insurance protection.

It is to be expected a sound and workable plan will be presented to our membership, and if it thereafter succeeds it will be with their full support and not otherwise.

WIRT WRIGHT

President.

February 5, 1923

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WIRT WRIGHT

President.

Membership Record

Membership November 1, 1922 1,863

New Members Enrolled

Bartelso Savings Bank	Bartelso (Reinstated)	
First Tr. & Sav. Bank	Bloomington	
Farmers State Bank	Calhoun (Reinstated)	
Brighton Park State Bank	Chicago	
Ashland-Sixty-Third State Bank	"	
Independence State Bank	"	
Lincoln State Bank	"	
Claremont State Bank	Claremont (Reinstated)	
Bank of Ellis Grove	Ellis Grove (Reinstated)	
State Bank of Kent	Kent	
Parish State Bank	Momence	
First State Bank	Mound City (Reinstated)	
First State Bank	Parkersburg	
First State Bank	Smithton	
Farmers & Merchants St. Bank, Sterling		
Toledo State Bank	Toledo	16
		1,879

Deductions

First Nat. Bank	Lincoln (Consolidated)	
First State Bank	Wood River (Closed)	
First State Bank	Fithian (Consolidated)	
International State Bank, Chicago	(Closed)	
Kimbark State Bank	" (Closed)	
Rhodes & Co.	" (Resigned)	6
Membership February 1, 1923		1,873

Council Opposes Proposed Good Roads Bond Issue

For the benefit of the members and in order that they fully know the reasons which governed the action of the Executive Council in adopting the report of the Committee on Transportation with regard to its opposition to the $100,000,000 Good Roads Bond issue recommended by Governor Small, we enclose with this bulletin a copy of the report made by the Sub-Committee on Highways of which Mr. S. E. Bradt is Chairman.

The Board of Directors of the Illinois Chamber of Commerce, at a meeting on Friday last also adopted resolutions opposing this issue, declaring that: "Further highway financing should be delayed until we have a better opportunity of estimating future license fee collections, as a basis for determining the form which the financing should take. Three years ago the state had no bonded indebtedness. Today we have voted bonds in Illinois as follows: $60,000,000 highway bonds, involving $24,000,000 interest; $55,000,000 bonus bonds, involving $22,000,000 and interest and $20,000,000 waterway bonds, involving $8,000,000 interest - a total of $189,000,000, equivalent to a per capita tax of $30 for each man, woman and child in the state. Bonds mean taxation. We are already groaning under our present tax burden; yet the greater part of this vast sum must be added to our present taxes for the next twenty years."

The Illinois State Automobile Association, including four affiliated groups, has also adopted resolutions opposing the proposed Good Roads Bond issue.

Membership Record

Membership November 1, 1922 1,883

New Members Enrolled

Bertolao Saving Bank	Bertolao	(Reinstated)
First Tr. & Sav. Bank	Bloomington	
Farmers State Bank	Calhoun	(Reinstated)
Brighton Park State Bank	Chicago	
Ashland-Sixty-Third State Bank	"	
Independence State Bank	"	
Lincoln State Bank	"	
Claremont State Bank	Claremont	(Reinstated)
Bank of Silla Grove	Silla Grove	(Reinstated)
State Bank of Kent	Kent	
Farish State Bank	Monenee	
First State Bank	Mound City	(Reinstated)
First State Bank	Parkersburg	
First State Bank	Smithton	
Farmers & Merchants St. Bank, Sterling		
Toledo State Bank	Toledo	14
		1,879

Deductions

First Nat. Bank	Lincoln	(Consolidated)
First State Bank	Wood River	(Closed)
First State Bank	Pittsion	(Consolidated)
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The Executive Council also adopted the following resolution:

"RESOLVED, That the Executive Council of the Illinois Bankers Association urges upon the Department of Public Works and Buildings the necessity for policing the improved highways for the purpose of enforcing the limitations of weights of loads as provided in the motor vehicle law; further that a careful study of an adequate license fee for heavy trucks and motorbusses should be made and the necessary legislation enacted."

Income Tax Pamphlets

Referring to the two pamphlets, one relating to INCOME TAX FOR FARMERS and the other to the INCOME TAX FOR INDIVIDUALS OTHER THAN FARMERS, samples of which were enclosed with circular letter of January 31st, please note that the quantity prices quoted apply to each pamphlet separately. That is if 200 are ordered of one and 300 of the other, they cannot be had at the price quoted for 500 - $7.25, but the 200 lot will cost $5.75 and the 300 will cost $7.25, a total of $13.00.

Business Conditions

As Reported by the Federal Reserve Bank of Chicago

"December business in the Seventh Federal Reserve District was characterized not only by a large holiday trade, but by smaller seasonal declines than last year in several branches of production and primary distribution.

"For the year as a whole, comparisons with 1921 are very encouraging largely on account of improvement during the latter part of 1922. Employment, especially, is in a much better position than last year, most of the manufacturing industries having made important gains. Building operations continued later than usual because of the propitious weather conditions. Merchandising as reflected by total sales of department stores, mail order houses, and several groups of wholesalers, is well in advance of 1921. Carloadings also are ahead of the previous year by several million cars.

"The large volume of holiday trade stimulated payments and as a result merchandise credits were reduced at the turn of the year. Trade was reported very heavy in all parts of the district and, in some cases, the largest ever experienced, indicating a large buying power with a disposition to exercise it.

"In the agricultural sections funds have been furnished by the seasonal marketing of farm products. This includes cattle on short feed; Spring hogs, which have been going to market in considerable numbers; and also the movement of grain which has been heavier than usual at this season of the year, partly on account of the inability to ship in the earlier months.

"Although there was little noticeable change in credit conditions at banks during December, the turn of the year was made under much more favorable conditions than the year previous. The thawing out of frozen credits during the year has resulted in a better general banking condition than has existed for three years. Not only is improvement shown in actual conditions, but also the more optimistic sentiment which appeared during the year has resulted in increased confidence in making conservative commitments."

As Reported by the Federal Reserve Bank of St. Louis

"Broadly speaking, general business in this district during the past thirty days fully maintained the position of strength to which it had worked during the closing months of 1922, and in many important instances gains were pushed still

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further. The holiday trade far exceeded expectations and resulted in the distribution of an enormous volume of merchandise. Actual reports received on holiday business from merchants scattered throughout the district show gains of from 15 to 72 1/2 per cent over their sales in 1921. Comment accompanying these statistics indicate that as a rule a better class of goods went into Christmas selections than was the case during the preceding season and the proportion of luxuries in the aggregate was considerably larger. Advices from the South were especially optimistic, the purchasing power of the people in that section having been strengthened by the advance in cotton prices, and successful marketing of tobacco, rice and other agricultural productions.

"Reports from the agricultural districts indicate a considerably greater degree of optimism prevailing among farmers than was the case at this time last year. The advance in prices of important products of the soil which took place during the closing months of 1922 improved the financial position of farmers, and preparations for Spring planting campaigns are on an enlarged scale. While the South is exhibiting a disposition to plant a very large acreage to cotton, programs in that section include the raising of food crops and the continuing of diversification which was practiced during the several seasons immediately preceding. The demand for corn, incident to the heavily increased number of farm animals, is expected to be reflected in more extensive plantings of that cereal."

To Investigate the Illinois Waterway Project

The United States Senate has appointed a special committee consisting of Senators McCormick (Illinois) Chairman; Reed (Pennsylvania); Brookhart (Iowa); McKellar (Tennessee) and Broussard (Louisiana), to investigate the Illinois Waterway project, and a delegation from Illinois consisting of W. L. Sackett, Superintendent of the Division of Waterways, and Mr. M. G. Barnes, Chief Engineer, representing the State of Illinois; Senator F. O. Hanson, representing the Illinois Legislature's Committee on Waterways; H. C. Gardner, Chairman of the Waterways Committee of the Chicago Association of Commerce; W. G. Edens, Chairman of the Transportation Committee of the Illinois Bankers Association, and G. E. Stephens representing the Illinois Chamber of Commerce; J. P. Whelan, Commissioner; Clyde L. Day, Attorney; W. F. Mulvihill, Special Counsel; H. P. Rainey, First Assistant Engineer; Phil. Harrington, Electrical Engineer; and J. F. Hemmons of the Real Estate Department, held a conference with the Committee in Washington Saturday, when plans were formulated for a tour of investigation.

According to present plans, hearings will be held in Chicago early in April, subsequently covering the entire route of the project, and a thorough survey will be made of the subject from the standpoint of navigation, flood control and the question of diversion of water from Lake Michigan through the sanitary canal.

Position Wanted as Teller or Assistant Cashier

Young man, who has had eight and one-half years banking experience and can give good references, desires position as teller or assistant cashier. Address GMA 82, c/o Illinois Bankers Association, 208 S. LaSalle St., Chicago.

Man Wanted For Responsible Bank Position

WANTED - A young man with banking experience for responsible position in a thriving Northwestern Illinois bank. Address inquiries to CCS - 88, c/o Illinois Bankers Association, 208 S. LaSalle St., Chicago.

Information Wanted Relative to Pension Systems

For the benefit of member banks making inquiries, we are anxious to gather

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some data relative to the method of operation of pension systems installed in the various banks in the State, and would appreciate having such banks write to the Secretary in detail, mentioning HG - 89.

Federal Tax Opinions

Archibald Harris & Company, Certified Public Accountants
Accounting and Tax Counsellors for the Association, Chicago

LOSS TO STOCKHOLDERS UPON DISSOLUTION OF CORPORATION WHERE ALL PROPERTY HAS BEEN SOLD BUT THE DISTRIBUTION TO THE STOCKHOLDERS IS INCOMPLETE

QUESTION: A coporation has closed up its business, sold and collected for all assets owned and distributed same to stockholders after paying all debts, except that there is due it, $10,000. on the sale of its building, but which it can't collect immediately. Its stockholders know that they will receive nothing more on their stock except their proportion of the $10,000 and that the collection of that is now indefinite. They know what their net loss will be on their stock, after allowing for what they will still receive from the $10,000. Can they take the deduction for their loss in next income report, or will they have to wait till the $10,000 is collected and distributed?

OPINION: An opinion in this case is dependent upon the facts involved. If the coporation recorded in its Minutes the plan of dissolution, including therein authority to distribute to its stockholders $10,000 uncollected as received, it would appear that a complete liquidation of all its property took place in 1922. If a complete liquidation took place it is our opinion that the loss sustained by each stockholder after providing for his share of the $10,000 and interest on same if any, uncollected, is deductible in the year of liquidation. The loss sustained would be measured by the following:

If stock was acquired prior to March 1, 1913 - Market value of stock at March 1, 1913 less amount received in dissolution (loss).

If stock was acquired prior to March 1, 1913 and amount received in dissolution is more than cost but less than fair market value at March 1, 1913 or is less than cost but more than its fair market value at March 1, 1913 (no gain or loss is sustained).

If stock was acquired subsequent to March 1, 1913 - cost less amount received in dissolution (loss).

Inasmuch as the building sold stands as guarantee for the contract selling price, it appears improbable that the full $10,000 and interest if any will not be collected. We have assumed that all sales of property represent bona fide transactions.

ARE UNITED STATES PENSIONS TAXABLE FOR 1921?

QUESTION: Are pensions received from the United States Government, by civil war veterans, exempt from tax, and if so, may a claim for refund be made where such amounts have been included in tax returns of individuals as income?

OPINION: Amounts received as pensions by civil war veterans are exempt from

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tax only under the 1921 act. Consequently, only such amounts from this source as were included in income on tax returns made for 1921, or 1922 if already filed, may be made the subject of a claim for refund. Pensions received prior to 1921 were considered as taxable income under the Revenue Act of 1918 and prior years and amounts included in returns filed under such acts may not be made the subject of a claim for refund.

ARE INSURANCE DIVIDENDS TAXABLE?

QUESTION: We are a corporation carrying a policy of $25,000 on the life of our President, with the corporation as beneficiary and assignee. On this policy we receive dividends. Are these dividends taxable?

OPINION: Dividends are not taxable unless receipts from the policy exceed in value the premiums paid out. However, it might well be mentioned that where a sale of the policy or a payment by the insurance company on account of the death of the insured is made, there is income, if the receipts from the sale or from the insurance company, together with dividends received by the corporation, exceed the amount paid out in premiums.

AN INSTALLMENT SALE

QUESTION: A purchased a farm in 1914 for $26,000 and sold it in 1920, delivering deed March 1, 1921. A received in payment $28,000 in cash and a mortgage back for $28,000. Not taking into account any depreciation subsequently sustained or improvements, A made a profit of $30,000. Is A required to report this transaction as a completed deal and pay tax on the $30,000? Can A report this transaction on the installment basis and pay on the percent of profit on the $28,000 cash only?

Considering that the $28,000 mortgage taken back has no ready realizable market value, can A report this transaction and pay tax only on $2,000 (the amount that the cash received exceeds the cost) and report the balance as the payments are made or the mortgage is disposed of?

OPINION: It is our opinion in the case which you cite that the entire net profit on the sale of the farm, $30,000 is taxable in the year 1920. This opinion is based on the view exercised by the Bureau of Internal Revenue, that in the case where the initial payment is substantial (more than 20 per cent) the sale cannot be considered on the installment or deferred payment plan. This seems to apply especially to your case where you have recovered all of the cost and $2,000 profit in the initial payment which represented 50 per cent of the sale price. However, if the sale had been consumated in 1921 and the income is to be reported in 1921, the Revenue Act of that year will permit you to report profit on the deferred payment plan which would mean $2,000 in 1921 and the balance when the payments were received on the mortgage. We are assuming that the mortgage has no ready realizable market value. If the mortgage has a ready realizable market value, the total profit in any case should be reported in the year the sale was consummated.

FILING RETURN BOTH AS PARTNERSHIP AND CORPORATION

QUESTION: We operated as a partnership from January 1, 1922 to March 1, 1922. From March 1, 1922 on, we operated as a corporation. Will you kindly advise how to make up these returns.

OPINION: The concern which operated as a partnership from January 1, 1922 to March 1, 1922, would have to file a return as a partnership up to and including that date. The corporation would then have to file a corporate return from March 1, 1922 to December 31, 1922.

332.06
ILL

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THE ILLINOIS BANKERS ASSOCIATION
UNITY AND PROGRESS
1891

TELEPHONE WABASH 2288

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Series 1922 - 1923

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Rockford Convention

We are advised that the following Committee on Hotels for the Annual Convention, which will be held in Rockford, June 26th and 27th, has been appointed:

A. R. Floberg, Chairman, - Manufacturers National Bank
Walter E. Burwell - Rockford National Bank
Thomas L. Sizer - Forest City National Bank
Lloyd Scott - Peoples Bank & Trust Company

All requests for hotel reservations should be directed to the Chairman, Mr. A. R. Floberg.

It is also contemplated to appoint a committee on golf and it is intended to arrange for an all-day meet on Thursday, June 28th, for the delegates who desire to remain over.

Federal Legislation
(Washington News Service)

According to reports there will be an effort made in the House to mold into one measure the various bills for the financial relief of the agricultural interests, which have been passed by the Senate. The Capper bill and the Lenroot bill, it is said, are designed to accomplish the same end which can be done more readily by a single piece of legislation. It is planned to incorporate the similar features of each bill, together with a separate provision for the cattle and farm credits, into a bill which will also take in the provisions of the Strong bill. The composite program as likely to be enacted into law at this session through the medium of the Capper, Lenroot, and Strong bills embraces the following:

February 12, 1923

WEEKLY BULLETIN NO. 33

Series 1922 - 1923

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1. Increased facilities for agriculture through the existing federal reserve system are provided both in the Capper and Lenroot bills. The federal reserve act is amended by increasing from six months to nine months the maximum maturity of agricultural paper eligible for rediscount at the federal reserve banks.

To encourage state banks in agricultural communities to come into the federal reserve system provision is made for reducing the minimum capital necessary in the smaller towns under certain conditions and it is also made possible for member banks to receive as much as 9 per cent instead of a maximum of 6 per cent on the stock held by them in federal reserve banks.

2. So-called personal credits as distinguished from land mortgages are provided by the Lenroot bill through proposed new farm credits departments of the present twelve federal land banks of the farm loan system.

The new farm credits departments, which do not interfere in any way with the land mortgage business of either the twelve land banks or the joint stock land banks which are authorized by the present law, are authorized to discount for any national bank, state bank or cooperative marketing associations, notes or other obligations, proceeds of which have been used in the first instance for an agricultural purpose or for the raising, breeding, fattening, or marketing of live stock.

Loans may be made directly only to cooperative associations. Such loans or discounts must have a maturity at the time they are made or discounted of not less than six months nor more than three years.

The government is to subscribe an initial capital of $5,000,000 for the new department for each of the twelve land banks. This capital may be increased to as much as $15,000,000, but the total capital for the twelve banks is limited to $120,000,000.

Additional funds may be obtained by the land banks by the issuance of debentures up to ten times the amount of capital and surplus.

3. Usefulness of the land mortgage department of the existing federal land banks of the farm loan system is increased under provisions of the Capper and Strong bills. The Capper bill includes a provision increasing from $10,000 to $25,000 the maximum loan which may be made by the existing land banks to any borrower.

The Strong bill contains a similar provision in somewhat different form and also provides a new method for the election of directors of the federal land banks, better facilities for making of loans in localities where borrowers have not formed national farm loan associations, and also provides for the issuance of consolidated bonds of the land banks in such a form as to make them somewhat more attractive to investors.

4. Formation of privately financed agricultural credit corporations under the supervision of the controller of the currency is provided by the Capper bill. The corporations, intended primarily to provide for the special needs of the live stock industry in the west must have a minimum capital of $250,000,

Such corporations may be formed anywhere, and it is the expectation that western live stock loan companies, now operated without governmental supervision, will take advantage of the opportunity provided to obtain a federal charter. The corporations may make advances or discount obligations based on agricultural products and live stock, the loans being limited to periods of three years.

These corporations may issue debentures, but without the tax exempt privilege accorded to debentures of the governmental land banks. Provision also is made for the formation of rediscount corporations with a capital of $1,000,000 or over. Provisions of the Capper bill relating to agricultural credit corporations are permissible and do not require the use of any governmental funds.

5. Extension of the War Finance corporation for an additional nine months' period is provided in the Capper bill. This is intended to insure adequate credit facilities for agriculture for which the machinery of the Capper and Lenroot bills is being organized. Under the present law the War Finance corporation would cease to have authority to make agricultural loans on July 1, 1923. The Capper bill extends this authority until March 31, 1924.

Various proposals will be advanced before the house banking and currency committee for the amendment of the Capper and Lenroot bills. One amendment to be pressed is embraced in a bill introduced by Representative Towner (Rep., Ia.) providing for a separate farm credits board at Washington to supervise the new farm credits departments of the land banks as created by the Lenroot bill.

This bill follows the lines recommended by the American farm bureau federation, which takes the position that the present credits system should not be administered by the present federal farm loan board, which is experienced solely in the land mortgage business. The same amendment was offered in the senate but rejected.

A bill for cooperative national banks has been introduced by Senator Brookhart of Iowa, providing for the organization of national banks with a capital of not less than $15,000 divided into shares of the par-value of $10.00 each when subscribed by not fewer than 200 persons.

Federal Tax Opinions

(Archibald Harris & Company, Certified Public Accountants
Accounting and Tax Counsellors for the Association, Chicago)

GENERAL EXTENSION OF TIME FOR FILING CORPORATION RETURNS

Extension to June 15 of the final date for filing tax returns of domestic corporations for the calendar year 1922 has been announced by the Commissioner of Internal Revenue, conditional upon the filing of tentative tax returns on or

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before March 15th, April 15th, or May 15th, according to the date upon which the corporation's tax year came to an end. At least one-fourth of the estimated amount due must accompany the tentative returns, together with a statement setting forth the reasons why the return cannot be completed within the prescribed time and formal request for the extension. Tentative returns submitted in accordance with the foregoing should be on form 1120, on which should be written plainly across the face, "Tentative Return". Only the name and address of the taxpayer and the estimated amount, if any, of the tax due needs be stated. Any deficiency in the first installment as determined upon submission of the final return, will bear interest at the rate of 6% per annum from March 15th, April 15th or May 15th, 1923, as the case may be.

CAN I DEDUCT COST OF CATTLE BOUGHT FOR RESALE

QUESTION: A farmer purchased cattle in the year 1917 for the purpose of feeding and resale in the year 1918. Can he take out the cost of these cattle as expense on his income for the year 1921?

OPINION: In your case you cite that a farmer purchased cattle in the year 1917 for the purpose of feeding and resale in 1918. The question arises whether the cost of these cattle can be deducted as expense in the year 1921.

The cost of the cattle may only be used as a deduction from the sale price in order to determine the profit or loss on the sale. In other words, the difference between the original cost and selling price will be either profit or loss.

The cost of feeding the cattle is a deductible expense in the year in which expended.

NON-DEDUCTIBLE PERSONAL EXPENSES.

QUESTION: We are requested to make up an income tax return for our customer, a local physician. Most of his list of expenses are deductible but one item we are in doubt about. Regulations #62 does not seem to cover it exactly and we have but little time to search through all of our I. R. Bulletins so we are just going to ask someone who knows.

This item in question is for Post-Graduate work and no doubt comprises traveling expenses, personal living expenses, while away from home, tuition charges and possibly some text books and instruments.

Please indicate that part of the above which would be ruled deductible as expense; that which would be regarded as non-deductible personal expense, and that which might be ruled as a sort of capital expenditure.

OPINION: It is our opinion that none of the items you mention, traveling expenses, personal living expenses, tuition charges, text books, instruments, representing expenditures made in connection with Post-Graduate course, constitute allowable deductions.

It seems that any Post-Graduate Course is in the nature of education and is in the same category as any university course which incurs the same expenditures.

In this connection we quote Office Decision 984, issued by the Bureau of Internal Revenue.

Ruling. "Expenses incurred by doctors in taking post-graduate courses are deemed to be in the nature of personal expenses and not deductible."

before March 15th, April 15th, or May 15th, according to the date upon which the corporation's tax year came to an end. At least one-fourth of the estimated amount due must accompany the tentative return, together with a statement setting forth the reasons why the return cannot be completed within the prescribed time and formal request for the extension. Tentative returns submitted in accordance with the foregoing should be on Form 1120, on which should be written plainly across the face, "Tentative Return". Only the name and address of the taxpayer and the estimated amount, if any, of the tax due needs be stated. Any deficiency in the first installment as determined upon submission of the final return, will bear interest at the rate of 6% per annum from March 15th, April 15th or May 15th, 1953, as the case may be.

CAN I DEDUCT COST OF CATTLE BOUGHT FOR RESALE

QUESTION: A farmer purchased cattle in the year 1917 for the purpose of feeding and resale in the year 1918. Can he take out the cost of those cattle as expense on his income for the year 1953?

OPINION: In your case you cite that a farmer purchased cattle in the year 1917 for the purpose of feeding and resale in 1918. The question arises whether the cost of these cattle can be deducted as expense in the year 1953.

The cost of the cattle may only be used as a deduction from the sale price in order to determine the profit or loss on the sale. In other words, the difference between the original cost and selling price will be either profit or loss.

The cost of feeding the cattle is a deductible expense in the year in which expended.

NON-DEDUCTIBLE PERSONAL EXPENSES

QUESTION: We are requested to make up an income tax return for our employer, a local physician. What of his list of expenses are deductible in one item we are in doubt about. Regulations 462 does not seem to cover it exactly and we have but-little time to search through all of our I. R. Bulletins so we are just going to ask someone who knows.

This item in question is for Post-Graduate work and no doubt comprises traveling expenses, personal living expenses, while away from home, tuition charges and possibly some text books and instruments.

Please indicate that part of the above which would be ruled deductible as expense; that which would be regarded as non-deductible personal expense, and that which might be ruled as a sort of capital expenditure.

OPINION: It is our opinion that none of the items you mention, traveling expenses, personal living expenses, tuition charges, text books, instruments, representing expenditures made in connection with Post-Graduate course, constitute allowable deductions.

It seems that any Post-Graduate Course is in the nature of education and is in the same category as any university course which ignores the same expenditures. In this connection we quote Office Decision 994, issued by the Bureau of Internal Revenue.

Ruling. "Expenses incurred by doctors in taking post-graduate courses are deemed to be in the nature of personal expenses and not deductible."

IS A CONDITIONAL CREDIT TO AN OFFICER DEDUCTIBLE TO THE CORPORATION

QUESTION: An officer who is reorganizing our company, received a salary in cash amounting to $2,000.00, also a credit on the books for $5,000. which is a conditional credit. This credit is conditional upon the success of the company, and when the working capital of the company has been increased to $50,000 the credit will be paid, in cash, and in the meantime interest will be paid upon this salary credit.

The Board of Directors has passed a resolution to the effect that no part of this credit shall be drawn until the above-stated working capital has been provided. We would also like to have you advise us whether or not, this conditional credit of salary unpaid is deductible to the corporation.

OPINION: It is our opinion that the amount $5,000.00 which you have credited to the individual's account, the actual payment of which is contingent upon future results, does not represent an allowable deduction from the gross income. This is especially true for the reason that the amount, although credited, is not available to the individual, neither could it be claimed by him.

However, the amount will become an allowable deduction by you, and also income to the individual, when it becomes available and may be claimed by the individual.

FILING A WAIVER.

QUESTION: We enclose a waiver mailed to one of our officers regarding his income tax return for the year 1917. We understand that the time in which the Department could legally request this waiver has lapsed. Will you kindly advise us the best course to pursue in the matter.

OPINION: You are advised that it is our opinion that the proper thing to do is to sign and file this waiver with the Department because if it is not filed it merely permits the government to go ahead and assess possibly an arbitrary tax against you, without a proper investigation of your affairs.

The time for requesting these waivers has not lapsed. The Department can legally request these waivers until March 15, 1923.

REPORTING PROFIT ON BUILDING & LOAN STOCK

QUESTION: "A" had a building & Loan stock of $1,000.00 to mature in 1922, which had been running over a period of ten years paying in $5.00 per month over this period of time. In making out income tax report, how much should be reported as profit or rather how much should "A" pay on?

OPINION: We assume that the profit of $400.00 represents interest on dividends accumulated over that period but not available to the stockholder until maturity of the stock. In that event A is entitled to an exemption of $300.00 against the total profit of $400.00. The remainder, $100.00, is subject to tax.

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Illinois Bankers Association

PRESIDENT, WIRT WRIGHT, NAT. STOCK YARDS.

VICE PRESIDENT,
M. A. TRAYLOR, CHICAGO.

TREASURER,
C. A. BEERS, ROCK ISLAND.

SECRETARY,
M. A. GRAETTINGER, CHICAGO.

ASST. SECRETARY,
OLIVE S. JENNINGS, CHICAGO.

TELEPHONE WABASH 2288

208 SOUTH LA SALLE STREET

Chicago

DEPARTMENTS

PROTECTIVE
J. L. SCHLENER, MANAGER
208 SO. LA SALLE STREET, CHICAGO

LEGAL
GEO. E. FINK, COUNSEL
203 CHAMBER OF COMMERCE BLDG., CHICAGO

FEDERAL TAXATION AND ACCOUNTING
ARCHIBALD HARRIS & CO., COUNSELLORS
MARQUETTE BLDG., CHICAGO

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February 26, 1923

WEEKLY BULLETIN NO. 35

Series 1922 - 1923

****

Opposed to $100,000,000 Good Roads Bond Issue

The Cook County Truck Gardeners' and Farmers' Association today went on record against the proposal to issue $100,000,000 state bonds for road building purposes, submitted to the Legislature by Governor Small.

Following a meeting of the Association, this statement was issued over the signatures of August Geweke, President, Morton Grove and George Steel, Secretary, of Des Plaines:

> "The Cook County Truck Gardeners' and Farmers' Association is opposed to more state bond issues at this time. We supported the $60,000,000 bond issue in 1918 and find that there is still enough of that issue in the State Treasury to do all the work that can be performed in the next two years. We believe that construction should be pressed to full capacity for the next two years, and after that the state will be in a position to 'pay as you go' from the auto license fees. The state should stop paying interest on bonds as soon as possible.
>
> We also are opposed to a tax on gasoline or to any increase in motor vehicle license fees, except to transportation companies and on heavy trucks that carry more than eight tons."

The Cook County Truck Gardeners' and Farmers' Association is composed of several thousand members in all parts of the county.

Information and Suggestions Regarding Preparation of Federal Income Tax Returns

In accordance with previous announcement, Archibald Harris & Company have prepared in pamphlet form suggestions for the guidance of banks in preparing federal income tax return (Form 1120) for 1922, and a copy is enclosed herewith.

These suggestions and references should be read in connection with instructions printed on the tax blank as no attempt has been made to explain every item of the blank.

Illinois Bankers Association

PRESIDENT, MORT WRIGHT, BARRINGTON, ILLINOIS

VICE-PRESIDENT
M. A. TRAYLOR, CHICAGO

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208 SOUTH LA SALLE STREET

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FEDERAL TAXATION AND ACCOUNTING
ARCHIBALD HARRIS & CO., COUNSELLORS
MARQUETTE BLDG., CHICAGO

February 26, 1923

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Federal Tax Opinions

(Archibald Harris & Company, Certified Public Accountants
Accounting and Tax Counsellors for the Association, Chicago)

ARRIVING AT VALUE OF BANK STOCK AS OF MARCH 1, 1913.

QUESTION: How do you arrive at the value of bank stock as of March 1, 1913 for income tax purpose, where there was no sale of stock at the time and where the bank runs its interest on notes from date, and also interest on deposits from date?

Usually, transfer of stock is made by arriving at the book value, by taking the Capital, Surplus and Profits of the date of transfer and then making an allowance for the investment. In other words, we have had sales of stock for $25.00 per share above the book value and have had them for actual book value.

Our charter expired in November 1916 and at that time the actual value of the stock was determined, by computing the accrued interest on all notes and interest bearing deposits and the actual value of the stock was about $20.00 better than book value as taken from our daily statement.

Kindly let me know how you would go about arriving at the actual value as of March 1, 1913.

OPINION: In giving our opinion we are assuming that there were no sales (as you state) of the stock about that time.

The most conservative method to be used in arriving at a fair market value as of March 1, 1913, of Capital Stock, is to determine the book value of the stock as of that date. This should represent the value of the assets after they have been properly depreciated, appreciation eliminated, Good Will (set up or not purchased) eliminated, and any other adjustments made in order to bring the Balance Sheet into correct standing.

In addition to the above method it is sometimes possible to arrive at a book value based on the earnings for a period of five years prior to the date of determination. This is one of the methods prescribed in the Federal Capital Stock Tax Return. The income is averaged for the period of five years and then capitalized at approximately 15%, which will give you the value of the stock.

VALUE ESTABLISHED BY FEDERAL ESTATE TAX EXAMINER AS A BASIS FOR PROFIT ON SALE OF FLAT?

QUESTION: A problem arises over the sale of a flat building in Chicago, and the computation of profit or loss on the deal. The property was acquired in 1911 by Mr. V., and at the time or purchase it was appraised by an appraisal firm in Chicago. In subsequent income tax reports, depreciation was figured on March 1, 1913 value as being the same as the 1911 appraisal.

Late in 1917 Mr. V. died, and the property passes by will to Mrs. V., his widow. On March 1, 1922, she sold the property.

Our question is, whether Mrs. V. should use the March 1, 1913 valuation, less subsequent depreciations, as the basis of value, or should she use the value placed on the property by the Government in assessing Estate Tax, as the starting point to compute profit and loss on the sale.

In other words, may she use March 1, 1913 value under the ownership of her late husband, or must she use a new value as when acquired by her. If the latter is the case, must the Government appraisal be used as value at the time she acquired it?

OPINION: The widow should use fair market value of date she acquired flat, less depreciation on that amount for the years 1918, 1919, 1920 and 1921.

Federal Tax Opinions

(Archibald Burris & Company: Certified Public Accountants
Accounting and Tax Counsellors for the Association, Chicago)

ARRIVING AT VALUE OF BANK STOCK AS OF MARCH 1, 1913.

QUESTION: How do you arrive at the value of bank stock as of March 1, 1913 for income tax purpose, where there was no sale of stock at the time and where the bank runs its interest on notes from date, and also interest on deposits from date?

Usually, transfer of stock is made by arriving at the book value, by taking the Capital, Surplus and Profits of the date of transfer and then making an allowance for the investment. In other words, we have had sales of stock for $85.00 per share above the book value and have had them for actual book value.

Our charter expired in November 1918 and at that time the actual value of the stock was determined, by computing the accrued interest on all notes and interest bearing deposits and the actual value of the stock was about $80.00 better than book value as taken from our daily statements.

Kindly let us know how you would go about arriving at the actual value as of March 1, 1913.

OPINION: In giving our opinion we are assuming that there were no sales (as you state) of the stock about that time.

The most conservative method to be used in arriving at a fair market value as of March 1, 1913, of Capital Stock, is to determine the book value of the stock as of that date. This should represent the value of the assets after they have been properly depreciated, appreciation eliminated, Good Will (not up or not purchased) eliminated, and any other adjustments made in order to bring the Balance Sheet into correct standing.

In addition to the above method it is sometimes possible to arrive at a book value based on the earnings for a period of five years prior to the date of determination. This is one of the methods prescribed in the Federal Capital Stock Tax Return. Tax income is averaged for the period of five years and then capitalized at approximately 10%, which will give you the value of the stock.

VALUE ESTABLISHED BY PROPER FEDERAL TAX EXAMINER AS
A BASIS FOR PROFIT ON SALE OF REALTY

QUESTION: A problem arises over the sale of a flat building in Chicago, and the computation of profit or loss on the deal. The property was acquired in 1911 by Mr. V., and at the time or purchase it was appraised by an appraisal firm in Chicago. In subsequent income tax reports, depreciation was figured on March 1, 1913 value as being the same as the 1911 appraisal.

Late in 1917 Mr. V. died, and the property passes by will to Mrs. V., his widow. On March 1, 1923, she sold the property.

Our question is, whether Mrs. V. should use the March 1, 1913 valuation, less subsequent depreciations, as the basis of value, or should she use the value placed on the property by the Government in assessing Estate Tax, as the alternating point to compute profit and loss on the sale.

In other words, may she use a new value as when acquired by her. If the latter is the case, must the Government appraisal be used as value at the time she acquired it?

OPINION: The right about use fair market value of date she acquired flat. Less depreciations on that account for the years 1918, 1919, 1920 and 1921.

FEDERAL INCOME TAX RETURN—FOR BANKS (Form 1120)

FOR CALENDAR YEAR 1922.

Information And Suggestions Regarding The Preparation Of Returns Prepared Especially For

ILLINOIS BANKERS ASSOCIATION

By

ARCHIBALD HARRIS and COMPANY, Certified Public Accountants, Taxperts
140 So. Dearborn St., Chicago, Illinois

BASIS OF TAX FOR YEARS ENDING ON OR AFTER DECEMBER 31, 1922.

The Tax For The Calendar Year 1922 Or Any Fiscal Year Ended During 1923 is to be assessed and collected under the Revenue Act of 1921, which was effective for the year 1921 as well as the year 1922, although certain provisions of the act did not become effective until Jan. 1, 1922.

EXCESS PROFITS TAX ELIMINATED

The most important change in the tax liability for 1922 results from the entire elimination of the excess profits tax, which, by the provisions of the Revenue Act of 1921, was repealed as of January 1, 1922.

ONLY STRAIGHT INCOME TAX DUE FOR 1922.

Although the excess profits tax was eliminated as of January 1, 1922, the income tax effective as of that date was increased from the 10% rate effective for 1919, 1920 and 1921 to 12½%.

This 12½% tax is to be assessed upon the net income, determined in the same manner and under the same Law and Regulations as were in effect for 1921, except that net losses sustained in any year beginning after December 31, 1920, are allowable deductions against net income for the next succeeding year or years, as explained below.

NET LOSS FOR 1921 DEDUCTIBLE IN 1922.

Any bank or other taxpayer who sustains a net loss for any taxable year beginning after December 31, 1920, may deduct such net loss in making a return of net income for the succeeding year or years. Excerpts, reprinted below from the Revenue Act of 1921 show the extent to which this provision applies.

> SEC. 204, (b) If for any taxable year beginning after December 31, 1920, it appears upon the production of evidence satisfactory to the Commissioner that any taxpayer has sustained a net loss, the amount thereof shall be deducted from the net income of the taxpayer for the succeeding taxable year; and if such net loss is in excess of the net income for such succeeding taxable year, the amount of such excess shall be allowed as a deduction in computing the net income for the next succeeding taxable year; the deduction in all cases to be made under regulations prescribed by the Commissioner with the approval of the Secretary.
>
> (c) The benefit of this section shall be allowed to the members of a partnership and the beneficiaries of an estate or trust, and to Insurance companies subject to the tax imposed by section 243 or 246, under regulations prescribed by the Commissioner with the approval of the Secretary.
>
> (d) If it appears, upon the production of evidence satisfactory to the Commissioner, that a taxpayer having a fiscal year beginning in 1920 and ending in 1921 has sustained a net loss during such fiscal year, such taxpayer shall be entitled to the benefits of this section In respect to the same proportion of such net loss which the portion of such fiscal year falling within the calendar year 1921 is of the entire fiscal year.

In computing statutory "net loss" the following restrictions are to be noted:

(1) Interest received by the taxpayers on obligations or securities, the interest from which is exempted from taxation must be included in income, but this amount may first be reduced by the amount of any interest paid by the taxpayer on money used to purchase or carry such obligations or securities.

(2) Dividends received by a corporation may not be considered as a deduction from gross income.

It will be noted that in case the profit of 1922 is not sufficient to absorb the loss of 1921 the remaining portion of such loss may be applied against the income for 1923. From the wording of the law, any loss not absorbed in the two years succeeding the year in which the loss occurred may not be spread to the third succeeding year, and the law has been so interpreted by the Treasury Department.

IMPORTANT PROVISIONS REGARDING INCOME AND DEDUCTIONS

Interest on U. S. Obligations:

Because of the fact that corporations are subject only to the Income Tax, all interest on U. S. Obligations is entirely exempt.

Taxes Paid For Stockholders:

As was the case on the 1921 returns, Banks and Trust Companies which pay taxes for stockholders, may claim same as a deduction for taxes. The stockholders for whom such taxes are paid may not (because of a specific provision of the law) deduct their proportionate share of such taxes, unless they re-imburse the Bank or Trust Company.

Bad or Doubtful Notes and Securities:

The 1921 act provided that a taxpayer might elect to deduct only such debts as were ascertained to be worthless and charged off during the year or ascertained to be partially worthless, or it might elect to establish a reserve for

bad debts and be permitted to deduct a reasonable addition to such reserve. It was provided however, that a taxpayer electing to use the reserve method would have to continue to use it, unless permission to change was granted by the Commissioner. If the taxpayer did not elect to use the reserve method for 1921 he may not now do so without first obtaining permission from the Commissioner. Banks not electing to use the reserve method may deduct all notes and securities determined to be worthless and charged off and may also partially charge off the portion of any debt considered as uncollectible when it is reasonably certain that the debt will be recovered only in part.

In our opinion, the method of charging off debts ascertained to be wholly or partially worthless is most advisable in the case of Banks.

Securities required by Bank Examiners to be written down to one dollar or some other **nominal** amount, may be deducted to the extent written down. A mere reduction of securities to market value to meet fluctuations is not deductible.

NOTES ON CHANGES IN CORPORATION FEDERAL INCOME TAX RETURN FOR 1922.

The new form for 1922 provides numerous schedules for the tabulation of income and deductions. More space has been given to the individual schedules so that the necessity for making schedules on separate sheets to be attached to the return will be reduced considerably. This additional space for income and deduction schedules has been made available by the elimination of schedules showing invested capital figures, as these figures are no longer required or necessary because of the elimination of the Excess Profits Tax. It will be noted also that these schedules have been designated by letters this year rather than by numbers as in the past.

Provision is also made for showing on the return itself, comparative balance sheets as at the beginning and end of the taxable year. As the form shown is not well adapted to the accounts of a bank it is suggested that the necessary balance sheets be furnished on a separate sheet and attached to the return.

DO NOT INCLUDE IN TAXABLE NET INCOME:

(1) Any interest on United States Obligations. (See schedule L)
(2) Any interest on obligations of a state or any political subdivision thereof. (See Schedule L)
(3) Dividends on Federal Reserve or Farm Loan Banks or interest on Bonds of Farm Loan Associations. (See Schedule L)
(4) Discount on municipal bonds realized at maturity not to exceed the discount sustained by the municipality when the bonds were issued by it. (Considered as additional exempt interest)
(5) Proceeds of life insurance policies upon death of officers or anyone financially interested in bank.
(6) The portion of the profit on the sale of any investment or capital asset which is applicable to the period prior to March 1, 1913. (See Schedule B)
(7) Dividends on stock of Domestic Corporations, or Foreign Corporations which derive any income from sources within the United States. (These dividends must be reported in the Gross Income but are then included under "deductions," which of course removes them from the **taxable net income**)

DO NOT INCLUDE IN "DEDUCTIONS" FROM TAXABLE NET INCOME.

(1) Income taxes paid.
(2) Tax assessments for improvements or local benefits of a kind tending to increase the value of the property assessed.
(3) Expenditures for furniture or fixtures or equipment or any other capital assets. Such items should be capitalized and a deduction taken for depreciation on them.
(4) Donations or contributions.
(5) The portion of a loss on the sale of any investment or capital assets which is applicable to the period prior to March 1, 1913.
(6) Losses on securities due to market fluctuations unless the bank has a recognized bond department and keeps its books on an accrual basis and regularly inventories its securities.
(7) Dividends paid.
(8) Arbitrary "write-downs" of capital assets. (A reasonable allowance for depreciation based upon the estimated life of the assets is deductible)
(9) Doubtful notes, etc. written off as a matter of conservative business policy although not determined to be worthless or partially worthless.
(10) Premium on bonds purchased or other securities.
(11) Additions to reserves for taxes, contingencies, bad debts (unless "Reserve Method" has been established for bad debts)
(12) Provisions for anticipated losses not yet sustained.

BE SURE TO INCLUDE IN TAXABLE NET INCOME.

(1) Profits on the sale of investments, or capital assests which may not be reflected on books because entire proceeds of sale credited to the investment or asset account.
(2) Recoveries on bad notes or securities previously charged off and deducted on prior year returns.
(3) Miscellaneous income, such as, box rents, rental of office space, etc.

BE SURE TO DEDUCT.

(1) Federal **Capital Stock** Taxes.
(2) Items which may have been charged against reserves or undivided profits, but which are allowable deductions from income for tax purposes.
(3) Losses on sales of investments or capital assets which may not be reflected on books because proceeds of sale credited to the investment or asset account without adjustment.
(4) Amounts set aside and credited to State Banking Board for "depositor's guaranty fund" where such credits are required by state laws and where the amounts set aside are at no time returnable to the bank.

ILLUSTRATION OF METHOD OF DETERMINING TAXABLE NET INCOME AND TAX PAYABLE FOR YEAR ENDED DECEMBER 31, 1922.

Bank Corporation or Association Subject To Tax As A Corporation

PROFIT & LOSS STATEMENT PER BOOKS

Income:

Interest and discount received from notes, mortgages and corporation bonds	$49,645.00	
Exchange	690.00	
Commissions received	150.00	
Safety deposit box rent	1,875.00	
Interest—Liberty Loan Bonds	8,225.00	
Interest—U. S. Certificates of Indebtedness	525.00	
Interest—U. S. Treasury Notes	375.00	
Dividends from Domestic Corporations	1,000.00	
Refund 1917 Income Tax	84.00	
Interest on School Warrants	2,400.00	
Interest on State Bonds	2,200.00	
Dividends Federal Reserve Bank	250.00	
Recoveries on Notes previously charged off	600.00	
Proceeds of Life Insurance Policy on death of officer	20,000.00	
Total Income		$88,019.00

Disbursements:

Taxes—Paid for Stockholders	$1,050.00	
Taxes—Income and Excess Profits	4,000.00	
Taxes—Real Estate and Franchise and Federal Capital Stock	1,800.00	
Depreciation	1,200.00	
Officers' Salaries	10,000.00	
Office Salaries and Expenses	8,500.00	
Donations	250,00	
Life Insurance Premium (officer)	2,300.00	
Repairs and Decorating	300.00	
Advertising, Association dues, etc.	1,560.00	
Casualty Insurance	1,800.00	
Directors Fees	500.00	
Interest and Discount	2,200.00	
Addition to Reserve for Taxes	3,500.00	
Addition to Reserve for Contingencies	2,000.00	
Total Disbursements		40,960.00
Net Profits Per Books		$47,059.00

Balance Sheets (To be submitted as Schedule K).

Resources:

	December 31 1921	December 31 1922
Cash and Due from Banks	$ 280,040.78	$ 446,887.08
Loans and Discounts	785,693.46	902,536.73
U. S. Obligations (To be detailed)	200,000.00	200,000.00
State Bonds	50,000.00	50,000.00
School Warrants	40,000.00	40,000.00
Stock—Federal Reserve Banks	5,000.00	5,000.00
Stock—Domestic Corporations	20,000.00	20,000.00
Banking House	35,000.00	35,000.00
Furniture and Fixtures	10,000.00	10,000.00
	$1,425,734.24	$1,709,423.81

Liabilities:

Deposits	$1,229,369.95	$1,484,300.52
Rediscounts	35,000.00	20,000.00
Reserve for Depreciation	6,000.00	7,200.00
Reserve for Taxes		3,500.00
Reserve for Contingencies		2,000.00
Capital Stock	100,000.00	100,000.00
Surplus	30,000.00	30,000.00
Undivided Profits	25,364.29	62,423.29
	$1,425,734.24	$1,709,423.81

Income and Deductions as Distributed on Page 1 of Return

GROSS INCOME

Line 4 (a)	—Interest and Discount received from Notes, Mortgages and Corporation Bonds	$49,645.00
(b)	—Exchange	690.00
(c)	—Commissions received	150.00
Line 6	—Rents	1,875.00
Line 9	—Dividends on Stock of Domestic Corporations	1,000.00
Line 10	—Recoveries on Notes Previously Charged Off	600.00
Line 11	—Total Income in Items 3 to 10	$53,960.00

DEDUCTIONS

Line 12	—Compensation of Officers (Schedule C)	$10,000.00
Line 14	—Repairs (Schedule D)	175.00
Line 15	—Interest and Discount	2,200.00
Line 16	—Taxes (Schedule E)	2,850.00
Line 19	—Dividends (Schedule H)	1,000.00
Line 20	—Depreciation (Schedule I)	1,200.00
Line 23	—Other Deductions:	
	(a)—Office Salaries and Expenses (Show Detail of Expenses)	8,500.00
	(b)—Advertising and Association Dues, etc	1,560.00
	(c)—Casualty Insurance	1,800.00
	(d)—Directors' Fees	500.00
	(e)—Decorating	125.00
Line 24	—Total Deductions in Items 12 to 23	$29,910.00
Line 25	—Net Income (Item 11 minus Item 24)	$24,050.00

SUPPORTING SCHEDULES

SCHEDULE C Compensation of Officers

Name of Officers	Official Title	Time Devoted to Business	Shares of Stock Owned Common	Shares of Stock Owned Preferred	Amount of Compensation
John	President	Entire	300		$5,000.00
Joseph	Vice-President	Part	600		2,000.00
James	Cashier	Entire	100		3,000.00
Total					$10,000.00

SCHEDULE D—REPAIRS

Items	Amount
Miscellaneous small repairs of floors and partitions	$175.00

SCHEDULE E—TAXES PAID

Items	Amount
Taxes Paid for Stockholders	$1,050.00
Taxes—Real Estate	1,000.00
Taxes—Franchise	670.00
Taxes—Federal Capital Stock	130.00
Total	$2,850.00

SCHEDULE H—DIVIDENDS DEDUCTIBLE

Name of Corporation	Amount of Dividends Domestic	Amount of Dividends Foreign
Township Street Railway Co.	$ 500.00	
Waterway Electric Light Co.	200.00	
City Public Service Co.	300.00	
Totals	$1,000.00	

SCHEDULE I—EXPLANATION OF DEDUCTION FOR DEPRECIATION

Kind of Property	Date acquired	Age When acquired	Probable Life after acquirement	Cost or Value March 1, 1913	Amount of Depreciation Charged off This Year	Amount of Depreciation Charged off Previous Years
Bank Bldg., Brick	1916	new	50 years	$35,000.00	$ 700.00	$3,500.00
Furniture and Fixtures	various	new	10 years	10,000.00	500.00	2,500.00
Totals					$1,200.00	$6,000.00

SCHEDULE L—RECONCILIATION OF NET INCOME AND ANALYSIS OF SURPLUS

Line 1	—Net Income from Item 25, page 1 of return		$24,050.00
Line 2	—Non-taxable Income:		
	(a)—Interest on Obligations of the United States and its possessions		9,125.00
	(b)—Interest on Obligations of States, Territories and Political Subdivisions Thereof		4,600.00
	(d)—Dividends deductible under Section 234 (a) 6 of the Revenue Act of 1921		1,000.00
	(e)—Proceeds of Life Insurance Policies paid upon the death of the insured		20,000.00
	(f)—Other Items of non-taxable income:		
	(1)—Dividends, Federal Reserve Bank Stock		250.00
	(2)—Refund of 1917 Income Tax		84.00
Line 5	—Total of lines 1 to 4, inclusive		$59,109.00
Line 13	—Unallowable deductions:		
	(a)—Donations, Gratuities and Contributions	$ 250.00	
	(b)—Income and Profits Taxes paid to the United States, its possessions, or foreign countries	4,000.00	
	(f)—Insurance Premiums paid on the life of any officer or employe where the corporation is directly or indirectly a beneficiary	2,300.00	
	(i)—Additions to sinking fund reserves, and reserves for bad debts and other contingencies (to be detailed):		
	(1)—Reserve for taxes	3,500.00	
	(2)—Reserve for contingencies	2,000.00	
Line 14	—Total of Line 13		$12,050.00
Line 7	—Net Profit for the year, as shown by the books		$47,059.00
Line 8	—Surplus and Undivided Profits, as shown by the balance sheetat the close of the preceeding taxable year		55,364.29
Line 10	—Total of Lines 7 to 9, inclusive		$102.423.29
Line 15	—Dividends paid during the taxable period (state whether paid in cash, stock of this Company or other property):		
	(a)—Date Paid—June 1. Character—Cash	$5,000.00	
	(b)—Date Paid—Dec. 1. Character—Cash	5,000.00	
Line 17	—Total of Lines 15 and 16		$10,000.00
Line 12	—Surplus and Undivided Profits, as shown by the balance sheet at the close of the year		$92,423.?2

Introduced by Mr. Dunlap, January 31, 1923.

Read by title, ordered printed and referred to committee on Military Affairs.

A BILL

For an Act to establish the Department of Illinois State Police.

SECTION 1. *Be it enacted by the People of the State of Illinois, represented in the General Assembly:* The Department of Illinois State Police is hereby established.

Sec. 2. The Illinois State Police shall consist of a superintendent, an assistant superintendent, and such a number of troops, not less than three nor more than seven, as may be determined upon by the superintendent, subject to the approval of the Governor. Each troop shall consist of a captain, two lieutenants, four sergeants, eight corporals and fifty privates. The superintendent shall be the commanding officer of the Illinois State Police. Each troop shall be commanded by a captain.

Sec. 3. The superintendent of the Illinois State Police shall be appointed by the Governor, by and with the advice and consent of the Senate. The Governor shall have power to remove the superintendent of the Illinois State

Police for incompetency, neglect of duty or malfeasance in office. No order for the removal of the superintendent of the Illinois State Police shall take effect, however, until the Governor shall file with the Secretary of State, a written statement of his reasons for such removal.

7½ The superintendent of the Illinois State Police shall receive a salary of five thousand dollars ($5,000) per annum and shall devote his entire time to the duties of his office. Before entering upon his duties, he shall take and subscribe the constitutional oath of office and shall furnish bond, with such surety or sureties as shall be approved by the Governor, in the penal sum of ten thousand dollars ($10,000), conditioned for the faithful performance of his duties as superintendent of the Illinois State Police. The oath and bond shall be filed in the office of the Secretary of State.

Vacancies in the office of the superintendent of the Illinois State Police shall be filled in accordance with the provisions of this section.

Sec. 4. The assistant superintendent and all captains, lieutenants, sergeants, corporals and privates of the Illinois State Police shall be appointed by the superintendent. No person, however, shall be appointed as a captain, lieutenant, sergeant, corporal or private, unless he is of good moral character and has the physical and mental qualifications required of candidates for the corresponding position in the United States Army, as determined by the department. All persons so appointed shall devote their entire time to the duties of their respective positions. The assistant superintendent shall receive a salary of three thousand five hundred dollars ($3,500) per annum. The captains, lieutenants, sergeants, corporals and privates shall receive such compensation as shall be determined upon by the superintendent of the Illinois State Police, with the approval of the Director of Finance. The captains, lieutenants, sergeants, corporals and privates shall each take an oath of office before entering upon the performance of their duties and shall not be discharged from service except for cause, a statement of which shall be reduced to writing and filed in the office of the superintendent.

The rules and regulations of the Illinois State Police shall provide for hearings in all cases where the discharge of any captain, lieutenant, sergeant, corporal or private is sought, and no such officer or private shall be discharged without a hearing in accordance with the rules and regulations.

Sec. 5. It shall be the duty of the superintendent of the Illinois State Police:

(a) To establish, equip and maintain a central office at the capitol, and such stations as shall be necessary;

(b) To procure in the manner provided by law such uniforms, equipment and supplies as shall be necessary.

Sec. 6. The Illinois State Police shall have power and it shall be their duty throughout the State:

(a) To serve and execute warrants of arrest and search;

(b) To arrest, without warrant, any person committing or attempting to commit a criminal offense in their presence, and when a criminal offense has in fact been committed and they have reasonable cause for believing that the person to be arrested has committed it;

(c) To patrol the rural districts and principal highways and waterways of the State;

(d) To co-operate with State and local authorities in the enforcement of the fire, fish, game, forestry, public health, animal disease and road and bridge laws;

(e) In addition to the powers and duties above specified, the said Illinois State Police shall have the power and it shall be their duty, on the direction or order of the Governor, or upon the request of the Attorney General, or of the sheriff or State's Attorney of any county, or of the mayor of any city, or of the police authorities of any city, incorporated town or village, to co-operate with and exercise the powers of such officers in the conservation of the peace, the prevention of crime and the detection and apprehension of offenders.

Sec. 7. Subject to the approval of the Governor, the superintendent of the Illinois State Police may promulgate reasonable rules and regulations relating to the enforcement of the provisions of this Act.

Sec. 8. Annually, on or before the first day of January, the superintendent of the Illinois State Police shall make a report in writing to the Governor, of the activities of the Illinois State Police and of the results thereof.

Sec. 9. The Secretary of State shall provide the Illinois State Police with suitable furnished rooms at the State capitol, and the Department of Public Works and Buildings shall furnish it with all necessary printing, binding, stationery and office supplies.

332.06
ILL

Illinois Bankers Association

PRESIDENT, WIRT WRIGHT, NAT. STOCK YARDS.

VICE PRESIDENT,
M. A. TRAYLOR, CHICAGO.

TREASURER,
C. A. BEERS, ROCK ISLAND.

SECRETARY,
M. A. GRAETTINGER, CHICAGO.

ASST. SECRETARY,
OLIVE S. JENNINGS, CHICAGO.

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208 SOUTH LA SALLE STREET

Chicago

DEPARTMENTS

PROTECTIVE
J. L. SCHLENER, MANAGER
208 SO. LA SALLE STREET, CHICAGO

LEGAL
GEO. E. FINK, COUNSEL
203 CHAMBER OF COMMERCE BLDG., CHICAGO

FEDERAL TAXATION AND ACCOUNTING
ARCHIBALD HARRIS & CO., COUNSELLORS
MARQUETTE BLDG., CHICAGO

March 5, 1923

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WEEKLY BULLETIN NO. 36

Series 1922 - 1923

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A Message from the President

-Senate Bill No. 49-

This is the State Police Bill which has been unanimously reported by the Senate Committee on Military Affairs. The Association has been favoring this measure continuously for years. Now is the time for the membership to clinch the matter by registering expressions of local opinion in favor of the bill with your Senator -Let's Give This Preferred Attention.-

Here is another matter: The record of achievement in the Protective Department thus far has been extraordinary. There has been splendid cooperation on the part of the membership. But one matter of expenditure seems to be somewhat misunderstood. The Association's funds for use in this work are limited to the special dues paid by the members for this purpose. We wish we had an unlimited fund out of which to pursue the prosecution of criminals after their apprehension. We have not enough money to do that and must draw a line somewhere. Therefore, when the Association has disbursed money for the investigation of a criminal attack upon a member and in assistance in the apprehension of the criminals that is about as far as it can go. The expense of prosecution and conviction should be borne either by the county or if special expense is necessary, then by funds raised by Bankers in the County involved.

Everybody in the office is willing to give time and energy to protective matters. Unfortunately, of money we cannot give more than we have.

WIRT WRIGHT,

President

Membership Record

Membership February 1, 1923 1,873

New Members Enrolled

Campus State Bank	Campus	
Columbia State Savings Bank	Chicago	
Ringwood State Bank	Ringwood	
First National Bank	Thomasboro	4
		1,877

Deductions

Ricker National Bank	Quincy (Consolidated)	1
Membership March 1, 1923		1,876

More Regarding $100,000,000 Road Bond Issue
By The Committee on Transportation.

Some objection to the action of the Executive Council opposing the $100,000,000 Road Bond Issue proposed by the Governor, has developed. These objections are mainly on the ground that in the construction thus far carried on, preference has been given to certain sections of the State to the practical exclusion of other sections.

To those people of the State particularly interested in this phase of the situation, we should like to say that if this is true it is neither the fault of the system itself nor of the law under which this system is being built.

The system as laid out by the Fiftieth General Assembly thoroughly covered the State without preference or partiality, giving to Southern Illinois its due proportion, regardless of the fact that the cost of the system as a whole will be paid for very much more largely by the Northern than the Southern part of the State. This system was approved by a majority vote in practically every county of the State, which is conclusive as to its fairness. The people not only approved the system itself, but they approved the law under which it was to be constructed. The law says: "The construction work shall be commenced in different sections of the State at approximately the same time, and be carried on continuously until all work is completed."

From the foregoing it will be seen that the Legislature did all that it could do in safeguarding the interest of all sections of the State so far as the use of the Bond Issue Fund is concerned. In this connection, it should be stated that the original Federal Aid System in Illinois, consisting of the National Old Trail Road, the Dixie Highway, The Lincoln Highway, The Chicago-East Saint Louis Highway, was laid out as a part of the National System before the Bond Issue law was passed by the Legislature, and was practically completed before any bonds were sold. These roads, being important state roads, as well as important national roads, naturally became a part of the State Bond Issue System.

The Bankers' Association opposed the addition of another system to the present Bond Issue System before this system is completed. The Association took that position on the ground that the adding of another system before the present system is completed might afford the opportunity for the improvement of parts of the second system before the original system was complete, which would be detrimental to those sections of the State which were left out.

As was so forcibly stated by Speaker Shanahan a few days ago before the Road and Bridge Committee of the House, the State is committed to the completion of the present Bond Issue System, and this promise should be redeemed before the State

assumes the obligation of imrpoving any other system, or before the completion of the present system is interfered with or menaced by the addition of another system.

If construction is confined to the present system it will be only a few years until it is completed, and every part of the State will be served. We can then take up the question of an additional system, filling in such short stretches as were omitted in the original system. Don't be stampeded by the attempt to lay out an additional system at this time.

The drawing of a line on the map past your farm or through your community center doesn't build you a road any more than the old method of marking the poles with paint and brush. It takes gravel and stone, sand and cement; it takes men and transportation to build roads. The State of Illinois is committed to the task of improving its highways, money is already provided, and more will be forthcoming when needed. The actual work of construction will go on as rapidly as material and labor can be furnished, and transportation facilities are available, consistent with reasonable cost and due regard to the carrying on of other work of equal importance. Those people looking for relief from the new system which it is proposed to lay out will get their road just as quickly as it can be reached, regardless of whether the method of financing is determined now or delayed until we are nearer the time when it will be needed. One thing is sure, and that is that we can better determine how it should be done and what will be the most economical method of raising the money if the determining of the method is delayed for a few years.

Cook County Organizations Oppose Bond Issue

The following resolutions were adopted by the members of Associated Roads Organizations of Chicago and Cook County at a meeting held in Chicago on Monday, February 26th:

"RESOLVED, that the Associated Roads Organization of Chicago and Cook County respectfully request Cook County members of the Legislature to vote against any additional state bond issues at this session of the Legislature. The state has sufficient funds on hand or in prospect to pay for construction of new highways until such time as a new policy may be determined on.

This association believes that the time is inopportune to vote a bond issue of one hundred million dollars, or any other amount.

"RESOLVED: That the Associated Roads Organizations of Chicago and Cook County urge upon the Department of Public Works and Buildings the necessity for policing the improved highways for the purpose of enforcing the limitations of weights of loads as provided in the motor vehicle law; further, that a careful study of an adequate license fee for heavy trucks and motorbusses should be made and the necessary legislation enacted."

Beg Your Pardon

Our attention has been called to the apparent incongruity of the figures given as representing total bank deposits in Illinois which appeared in the February 19th issue of the Bulletin under the caption "$780,617,000 Bank Deposits in Illinois."

As was indicated this was a reprint from a newspaper report and evidently referred to savings accounts exclusively, although it was not so stated. However we have learned that the total deposits in the banks of Illinois as of June 30th, 1922 were as follows: National Banks, $1,169,018,000; State Banks, $1,682,284,000.

Second Jury Ready to Try Herrin Case
(Press Note)

The Jury in the second Herrin mine massacre trial has been completed. The

assumes the obligation of improving any other system, or before the completion of the present system is interfered with or menaced by the addition of another system.

If construction is confined to the present system it will be only a few years until it is completed, and every part of the State will be served. We can then take up the question of an additional system, filling in such short stretches as were omitted in the original system. Don't be stampeded by the attempt to lay out an additional system at this time.

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Second Jury Ready to Try Herrin Case
(Press Note)

The Jury in the second Herrin mine massacre trial has been completed. The

defendents in this case are Hugh Willis, member of the executive board of the Illinois Miners' Union; Bert Grace, Otis Clark, Oscar Howard, Philip Fontenetti, and James Brown, a negro, who are charged with the murder of Antonio Mulkavich, a mine guard.

State Court Rules on Missouri Branch Banks

The Missouri Supreme Court has handed down a decision that national banks operating in the State cannot establish branch banks. The action was in the case of the State against the First National Bank of St. Louis. The decision will force this Bank to close the one branch it established and enjoin it from opening others that were contemplated.

A.B.A. 1923 Convention

It is announced by F. N. Shepherd, Executive Manager of the Association, that the annual convention of the American Bankers Association will be held this year at Atlantic City, on September 24, 25, 26 and 27, headquarters being at the Hotel Traymore. The main sessions of the general convention will be held on the million dollar pier.

Federal Legislation
(Washington News Service)

The Sixty-Seventh Congress closed its sessions yesterday. For the first time in a number of years, no special sessions of the new Congress will be called by the President.

The Senate passed the bill ratifying the British debt settlment agreement, but amended it by providing that agreements negotiated by the Commission with other debtor nations will also be subject to Congressional approval. Further, that in addition, the Commission will be enlarged to eight members, three of whom will be Democrats. These amendments were accepted by the House.

The bill was immediately signed by the President and in accordance with the act he appointed Senator Carter Glass of Virginia, and Representatives Chas. R. Crisp of Georgia and Richard Olney of Massachusetts, to be additional members of the commission.

The House passed the compromise farm credits bill, under which two new banking systems, one operated by the government and the other by private interests, would be established to meet the financial needs of agriculture.

The bill then was sent to the Senate, where it was called up immediately and conferees were appointed to meet the House conferees.

These agreed upon the differences; both Houses adopted the conference report and President Harding has signed the bill. The measure establishes federal intermediate credit banks attached to the twelve federal land banks, with $5,000,000 of government funds for each bank. They will be under the supervision of the Federal Farm Loan Board. The intermediate credit banks will have the following powers:

To discount for, or purchase from any national or state bank or trust company, agricultural credit corporation, live stock loan company, or cooperative marketing association, any note, draft, bill of exchange, debenture, or other such obligation, the proceeds of which have been advanced or used in the first instance for any agricultural purpose or for the raising, breeding, fattening, or marketing of live stock. To buy or sell debentures issued by any other federal intermediate credit bank.

To make loans or advances direct to any cooperative association composed of persons engaged in producing any marketing staple agricultural products or live stock if the notes are secured by warehouse receipts or shipping documents or mortgages on live stock.

Loans or discounts made by the intermediate credit banks shall have a maturity of not less than six months nor more than three years. The banks may issue and sell tax exempt collateral trust debentures with a maturity of not more than five years up to a total of not to exceed ten times the capital and surplus.

The bill also creates national agricultural credit corporations, which are privately financed institutions, which may be formed anywhere with a minimum capital of $250,000. The corporations are under the supervision of the Controller of the Currency.

These corporations, which are intended to encourage present live stock loan companies in the west to come under federal supervision, have the following powers:

To make advances on, to discount, or purchase and sell notes, drafts, or bills of exchange which are issued for an agricultural purpose, have a maturity of not exceeding nine months and are secured by warehouse receipts or like documents.

To make advances on or discount, or purchase and sell notes secured by chattel mortgages conferring a first lien on maturing or breeding live stock or dairy herds and having a maturity of not exceeding three years.

To buy and sell government obligations.

To issue collateral trust notes or debentures with a maturity not exceeding three years.

The bill also provides for the formation of national agricultural credit rediscount corporations with a capital of $1,000,000 or over.

The bill increases from $10,000 to $25,000 the maximum loan which may be made by the present land banks to one individual. Other administrative amendments to facilitate the operation of the land banks are made.

A number of amendments to the Federal Reserve Act designed to increase the usefulness of the Federal Reserve System to agriculture are included, among them being one authorizing Federal Reserve Banks to discount notes, drafts and bills of exchange issued or drawn for agricultural purposes with a maximum maturity of nine months, instead of six months, as at present.

The bill extends the War Finance Corporation, which otherwise would cease to have authority to make agricultural loans after June 20, 1923, for nine months.

A joint committee consisting of three Senators and five Representatives is created to investigate reasons why state banks have been reluctant to come into the Federal Reserve System.

Congress did not act to stop the issuance of tax free bonds this session. The Senate Committee on Judiciary agreed that it would not report the resolution which passed the House of Representatives. The opposition of the minority was so formidable, that it was realized it would be futile to force it through.

Second-hand Safe Deposit Boxes and Bank Fixtures for Sale

The Forest City National Bank of Rockford has seven or eight hundred second-hand safe deposit boxes and some second-hand furniture for sale. If interested write the bank direct.

For Sale

80% of the stock of a $15,000 bank for sale, in small Illinois town; good location. Bank will stand closest investigation; good reasons for offering for sale - a money maker. Cashiership paying $2400 per year. Address - HBE 92 c/o Illinois Bankers Association, 208 S. La Salle St., Chicago.

Positions Wanted

A young man 26 years of age, who has had six years of general banking experience and is capable of being an Assistant Cashier, desires position in a bank.

Can give good references and is willing to make investment. Address HVR 91, c/o Illinois Bankers Association, 208 S. LaSalle St., Chicago.

A former banker, 40 years of age, who has had six years of general banking experience and is capable of being Cashier or Assistant Cashier. Can give good references. Address LMH 93, c/o Illinois Bankers Association, 208 S. LaSalle St., Chicago.

Federal Tax Opinions

(Archibald Harris & Company, Certified Public Accountants
Accounting and Tax Counsellors for the Association, Chicago)

DEDUCTION FOR DEMOLISHING OLD BUILDING

QUESTION: In the Spring of 1922 we wrecked our old building for the purpose of erecting a new building. We did not use any of the old building for the construction of the new building excepting that we used the old foundation reinforcing it with concrete. It seems that we should be allowed something in computing our income tax for 1922 but we do not know how to arrive at a fair estimate. We had always carried our building and furniture and fixtures in one account and it always was a problem to arrive at the proper depreciation, but in the Spring of 1920, a field Examiner for the Income Tax Department check us up and in so doing figured a depreciation schedule for the building based on a value of $50,632.46, which figuring at 2 1/2% depreciation, amounted to $1,265.81 annually.

By the same process the examiner allowed as an annual depreciation on our furniture and fixtures of 10% based on a value of $2542.17, or $254.22. However we disposed of the old fixtures for $1500.00 the amount to be paid upon delivery of the fixtures, which has not yet been done.

Now from the foregoing, if you can advise us what would be a fair amount to claim in our income tax schedule for 1922, we will be under obligations to you. If you wish any additional information we will be glad to furnish it to you. I might add that we have not charged off anything on the building for 1922. Previous to that time we have charged off about $8,000.00 from the combined building and fixtures account. At the beginning of 1922 we were carrying the bank, fixtures and frontage at $50,000.00.

OPINION: It is our opinion that you are entitled to a deduction on your 1922 return on account of demolishing the old building. This loss is determined on the basis of the cost of the building or its fair market value as at March 1, 1913 if acquired prior to that date, less depreciation sustained and charged off.

As a cost and sustained depreciation, you may use the figures set up by the Revenue Agent provided that they are correct and satisfactory to you.

In summary, establish the cost of the building, or if the building was acquired before March 1, 1913, use its fair value as of that date instead of cost, add cost of all subsequent additions, then deduct depreciation charged off. The balance will represent loss.

Cost	$50,632.46
Depreciat.	8,000.00
Loss	$42,632.44

352.06
ILL

Illinois Bankers Association

PRESIDENT, WIRT WRIGHT, NAT. STOCK YARDS.

VICE PRESIDENT, M.A. TRAYLOR, CHICAGO.
TREASURER, C.A. BEERS, ROCK ISLAND.
SECRETARY, M.A. GRAETTINGER, CHICAGO.
ASST. SECRETARY, OLIVE S. JENNINGS, CHICAGO.

TELEPHONE WABASH 2288

208 SOUTH LA SALLE STREET

Chicago

DEPARTMENTS

PROTECTIVE
J. L. SCHLENER, MANAGER
208 SO. LA SALLE STREET, CHICAGO

LEGAL
GEO. E. FINK, COUNSEL
203 CHAMBER OF COMMERCE BLDG., CHICAGO

FEDERAL TAXATION AND ACCOUNTING
ARCHIBALD HARRIS & CO., COUNSELLORS
MARQUETTE BLDG., CHICAGO

March 12, 1923

WEEKLY BULLETIN NO. 37

Series 1922-1923

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UNIVERSITY OF ILLINOIS

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Group Meetings

The schedule for the 1923 Group Meetings has been completed and is as follows:

May 21	Cairo	Group 10
May 22	Jerseyville	" 8
May 23	Flora	" 9
May 24	Springfield	" 7
May 25	Monticello	" 6
June 5	Monmouth	" 1
June 6	Canton	" 2
June 7	Clinton	" 5
June 12	De Kalb	" 3
June 13	Ravinia	" 4

Attendance at the group meetings is one of the privileges that no Association member should miss. Make note of the date of your meeting now and plan to have as many representatives present as possible.

The group officers will meet in Chicago soon to confer upon arrangements and every effort will be made to maintain the usual standard of interesting and instructive programs.

The "Group Special", carrying Association officers and representatives of the city banks will make the usual tour of the state.

Annual Banquet Chicago Chapter A.I.B.

The twenty-second Annual Banquet of the Chicago Chapter of the American Institute of Banking is scheduled for Tuesday evening, March 20th in the Gold room of the Congress hotel, Chicago. Dr. William A. Ganfield will be the guest of honor and speaker of the evening. Those who were present at our annual Mid-Winter Dinner in January no doubt will

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Chicago

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remember the very able and eloquent address he made on that occasion.

Mr. Max Steiner, President of the Chapter, will be the toastmaster. Unusual entertainment features are provided. Mr. Rollin Pease, Baritone being one of the outstanding artists on the program.

Tickets are five dollars and reservations may be made by addressing Mr. Joseph J. Schroeder, Executive Secretary of the Chapter, 26 N. Dearborn St., Chicago.

Called Victory Notes Still Outstanding

The Secretary of the Treasury is calling to the attention of the public the fact that there is still outstanding $90,000,000 called Victory notes. These notes bear the distinguishing letters A, B, C, D, E or F prefixed to their serial numbers, and interest stopped absolutely on December 15, 1922. There has already been a loss of almost three months' interest, and to avoid further loss, holders of Victory notes should again examine their holdings and present promptly any that have been called for redemption.

The Treasury is also prepared, until further notice, to redeem before maturity at par and accrued interest to the date of optional redemption, any of the uncalled Victory notes (bearing the distinguishing letters G, H, I, J, K or L prefixed to their serial numbers) which become payable according to their terms on May 20, 1923. If any of the uncalled Victory notes are presented for payment prior to the maturity date, the surrender form on which they are listed should clearly indicate that immediate redemption is desired or the notes will be held for redemption May 20, 1923.

Business Conditions

- As reported by the Federal Reserve Bank of Chicago--

"Further liquidation in the agricultural sections resulted from the continued movement of short-fed cattle, hogs, and some corn to market. The approach of the March 1 period is causing no apprehension, since recovery by banks and farmers has been such as to place them in good shape for the settlements. Preparations are being made for the closing of farm loans on March 1, and it appears that renewals of existing loans will involve some increase for the purpose of funding short-time indebtedness at the banks.

There is a good supply of money available for farm loans on choice security at 5 per cent, with 1 per cent cash commission on a five-year loan. There is also a market at a higher rate for the proportionately larger loans, for which inquiries are appearing, but there appears to be a disposition on the part of borrowers to expect these loans to be made on the same basis as the more desirable ones.

The upward trend in trade and industry has not yet been transformed generally into a demand for accommodation at the banks, and credit is working toward a somewhat easier position. As a result, such changes as have occurred since the first of the year have been in the direction of the payment of loans, accumulation of reserves, and a slight shading of interest rates.

Reports from bankers in the district indicate that the proceeds of maturing investments and dividend payments the first of the year were generally reinvested in Government or local securities, or left on deposit at the banks.

January business failure statistics for the district indicate a slight increase in the number of insolvencies over the previous month, but a considerable reduction in the total liabilities involved. In the country as a whole there was a more marked increase in failures, while liabilities changed very little."

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Called Victory Notes Still Outstanding

The Secretary of the Treasury is calling to the attention of the public the fact that there is still outstanding $20,000,000 called Victory notes. These notes bear the distinguishing letters A, B, C, D, E or F prefixed to their serial numbers, and interest stopped absolutely on December 3, 1922. There has already been a loss of almost three months' interest, and to avoid further loss, holders of Victory notes should again examine their holdings and present promptly any that have been called for redemption.

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- As Reported by the Federal Reserve Bank of St. Louis -

"Production and distribution of merchandise in this district during the past thirty days, according to reports of leading interests in the lines investigated, was relatively larger in volume than usual at this particular season, and showed heavy gains over the corresponding periods during the two preceding years. The demand for all varieties of commodities is active, and in some important lines, notably textiles and iron and steel, business was restricted by inability to turn out or procure goods to forward on the deliveries specified in orders offered. Retail stocks generally are light, both in the city and country, and wholesalers and jobbers, report an abnormally heavy volume of small, fill-in orders for immediate shipment. This is construed as meaning that retailers underestimated their requirements and that demands of actual consumers have augmented with increased employment, improved conditions and higher prices in the markets for farm products."

Organization of Intermediate Credit Banks to Begin Immediately
(Washington News Service)

The Federal Farm Loan Board has begun consideration of plans for immediate organization of the intermediate credit banks created by the new farm credits act. In order that there might be no delay in proceeding with the plans, President Harding made recess appointments of two members of the Board. They are Merton L. Corey of Nebraska, a Democrat, and Elmer S. Landres of Ohio, a Republican, a real estate man and a friend of the President. He fills a place on the Board which has been vacant for several months. Mr. Corey has held the post of attorney for the Omaha Federal Land Bank since it was established.

Secretary of the Treasury Mellon is ex-officio chairman of the Board, other members of which are Charles E. Lobdell, Farm Loan Commissioner, and executive officer; John Guill, Jr., and Robert A. Cooper. A Republican will be named by the President for the remaining vacancy. Former Senator McCumber of North Dakota and former Congressman A. P. Nelson of Wisconsin are mentioned for the position.

Declines Appointment as Comptroller of Currency
(Washington News Service)

The President offered James G. McNary, whose nomination the Senate failed to confirm before adjournment, a recess appointment as Comptroller of the Currency. This Mr. McNary promptly declined on the ground that he does not care to occupy the position without the support of the Senate.

D. R. Crissinger, the present Comptroller, who has been confirmed as Governor of the Federal Reserve Board, will not receive his commission and be sworn in to fill the new office at once but will retain the Comptrollership at least until the President's return from his vacation in Florida. Meantime Mr. Crissinger will appoint the new Deputy Comptrollers which Congress provided at the eleventh hour. He probably will select them from the staff of national bank examiners.

The President before leaving for Florida, signed the commission of Milo D. Campbell of Michigan as the "dirt farmer" member of the Federal Reserve Board, this formality having been held up during the controversy over the McNary appointment.

Position Wanted

A young man 26 years of age, who has had six years of general banking experience and is capable of being an Assistant Cashier, desires position in a bank. Can give good references and is willing to make investment. Address HVR 91, c/o Illinois Bankers Association, 208 S. La Salle St., Chicago.

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Federal Tax Opinions

(Archibald Harris & Company, Certified Public Accountants
Accounting and Tax Counsellors for the Association, Chicago)

TAXING FLAT $2,000 EXEMPTION

QUESTION: A corporation showing an income on its books of $50,000, shows in figuring its income tax return, a net taxable income of $10,000, owing to large holdings of Liberty Bonds and Bonds of the State, County and Municipalities, interest on which is free from income tax.

Is the corporation described above entitled to the flat exemption of $2,000 before computing its tax?

OPINION: The corporation as described in your letter is entitled to a flat exemption of $2,000 before computing its tax.

PAYMENTS ON PREMIUMS ON CONSOLIDATED GOVERNMENT BONDS

QUESTION: In September we bought two per cent Consol Government Bonds amounting to $57,500.00. We paid a premium of $1,796.87 carried on our books under premiums on Government bonds for like amount. On December 30 we paid off $196.87. Is this an allowable deduction?

OPINION: You state that on December 30, you "Paid off" $196.87 of this premium. We presume you mean you charged off that amount, bringing the premium down to $1,600.00 on your books.

It is not permissible to deduct any portion of the premium paid as expense or amortization of the premium particularly when the books are kept on a receipts and disbursements basis. The premium is to be considered as a part of the cost of the investment until the bonds mature or are sold.

WHEN RETURN IS REQUIRED BY FIDUCIARY

QUESTION: We would be glad to have you advise us as to the following:
Instruction 17, form 1041, item (c), estate of decedent.

We understand that no return is required during the life of the Trust or at its termination unless the income is $1,000 for the year or at that rate for part of a year.

OPINION: No return is required to be filed by a Fiduciary where the income from the estate or trust is less than $1,000 for the year, or at a rate of less than $1,000 for a period less than a year.

DOES A TAX REFUND REPRESENT TAXABLE INCOME

QUESTION: Please give us your opinion in the following case:
This bank received in 1922 a refund of all income tax paid during the years 1917, 1918, 1919, 1920 on account of embezzlement of the bank funds during that time.

Would this refunded tax represent taxable income?

OPINION: Any income tax refund is not considered as income and is, therefore not taxable.

Federal Tax Opinions

(Archbold Harris & Company, Certified Public Accountants
Accounting and Tax Counsellors for the Association, Chicago)

TAXING FLAT $3,000 EXEMPTION

QUESTION: A corporation showing an income on its books of $30,000, plans in figuring its income tax return, a net taxable income of $10,000, owing to large holdings of Liberty Bonds and Bonds of the State, County and Municipalities, interest on which is free from income-tax.

Is the corporation described above entitled to the flat exemption of $3,000 before computing its tax?

OPINION: The corporation as described hereunder is entitled to a flat exemption of $3,000 before computing its tax.

PAYMENTS ON PREMIUMS ON CONSOLIDATED GOVERNMENT BONDS

QUESTION: In September we bought two per cent Consol Government Bonds amounting to $37,500.00. We paid a premium of $1,758.87 carried on our books under premiums on Government bonds for like amount. On December 30 we paid off $156.87. Is this an allowable deduction?

OPINION: You state that on December 30, you "paid off" $156.87 of this premium. We presume you mean you charged off that amount, bringing the premium down to $1,600.00 on your books.

It is not permissible to deduct any portion of the premium paid as expense or amortization of the premium particularly when the books are kept on a receipts and disbursements basis. The premium is to be considered as a part of the cost of the investment until the bonds mature or are paid.

WHEN RETURN IS REQUIRED BY FIDUCIARY

QUESTION: We would be glad to have you advise us as to the following:

Instruction 17, Form 1041, Item (c), relative of decedent.

We understand that no return is required during the life of the Trust or at its termination unless the income is $1,000 for the year or at that rate for part of a year.

OPINION: No return is required to be filed by a fiduciary where the income from the estate or trust is less than $1,000 for the year, or at a rate of less than $1,000 for a period less than a year.

DOES A TAX REFUND REPRESENT TAXABLE INCOME

QUESTION: Please give us your opinion in the following case:

This bank received in 1922 a refund of all income tax paid during the years 1917, 1918, 1919, 1920 on account of understatement of the bank funds during that time.

Would this refunded tax represent taxable income?

OPINION: Any income tax refund is not considered as income and is, therefore, not taxable.

WHAT TAXES ARE DEDUCTIBLE?

QUESTION: I have paid the following taxes during the year 1922 and would like to know how much I am allowed to deduct from our Corporation Income Tax:

Tax on circulation	$250.00
Local taxes	2350.45
Income tax for 1921	161.75
Capital stock tax	103.00
	$2865.20

OPINION:

You can deduct tax on circulation	$250.00
You can deduct Local Tax	2350.45
You can deduct capital stock tax	103.00
You cannot deduct income tax for 1921	161.75

LOSS ON SALE

QUESTION: A man bought a lot and built a residence in 1921 for a total cost of $9,000.00. He died during the same year. In 1922 the house and lot were inventoried at $7,500.00. Later in the same year the executor sold them at a public sale for $6,250.00. May the Executor deduct from his return of 1922 income for the estate the full loss of $2,750.00 less depreciation?

OPINION: It is a little hard for us to answer this question without knowing more of the particulars in the matter.

For income tax purposes it is not compulsory that you take the figures on real estate that were set out by the executor of the estate but you can figure your loss at the date of the sale, to be handled in your 1922 income, by computing the cost of the building when it was originally built less depreciation. The inventory at the date of the death should have no bearing on the income tax, as that would be no evidence that the property was only worth that much.

IS THERE A TAX ON 1922 PROFITS PASSED TO UNDIVIDED PROFITS?

QUESTION: In your Bulletin of January 10th you undertake to answer questions regarding undistributed profits.

I would like to know whether or not profits earned in 1922 and passed to undivided profits account are subject to income tax.

OPINION: There is at present a 25% tax on undistributed profits which represent unreasonable accumulation resulting in the evasion of surtaxes. This tax does not apply to the ordinary accumulation of profits to be used in the business and is therefore very seldom assessed. Whether or not there will be future tax legislation of a more arbitrary nature assessing undistributed profits, is a matter of conjecture. However, we think such action is very remote.

In direct reply to your question, there is no tax assessable on the basis of 1922 profits passed to undivided profits.

DEPRECIATING ON BUILDING BOUGHT TO BE EITHER DEMOLISHED OR REMODELED.

QUESTION: In May of 1922 we purchased for $340,000 a piece of property containing a four story building erected about forty years ago which we will either remodel for the purpose of our business within the next two years or so or will demolish and erect an entirely new structure. No appraisal has been made

of the value of the building, but we are carrying $100,000 fire insurance on it. The question is, would it be in order for us to take a depreciation on the building in making up our Income Tax Return, and if so, on what Basis?

OPINION: In the event that you are renting the building in question you can take depreciation on it, in making up your income tax returns. This would be based on the estimated life of the building. If this building is not rented and you purchased it for the purpose of destroying it or demolishing it, so as to enable you to erect a new structure, then the value of this building would be included in the cost of the land when your new building is erected.

DEDUCTIBILITY OF LOSS BY FIRE

QUESTION: The writer owns a farm on which three or four small buildings were completely destroyed by fire in 1922. They were insured for $850.00 which amount was paid in full by the Insurance Company. During the same year a new building was erected to partly take the place of the ones burned, the total cost of same being approximately $800.00, which amount does not include painting, as that has not yet been done. For income tax purposes, must the $850.00 be considered as income, or can the cost of the new building be deducted from the insurance, and the difference considered as income. The actual value of the buildings destroyed was probably around $1,000 or $1100.

OPINION: In reply you are informed that no taxable income results from such an occurence, unless the insurance received exceeds the cost of the property. From your statement it appears that instead of a profit, an actual loss may have been sustained. If a loss was sustained it is deductible as a loss under item 11 of your individual income tax return, Form 1040. The loss should be determined as outlined in example in Schedule F. enclosed.

Even though depreciation was not deducted on prior returns a reasonable allowance must be made therefore in computing the loss provided the buildings were used for farm or other business.

If the computation shown in Schedule F. should by any chance reflect a profit, such profit will not have to be reported as income if the balance of the insurance money received is used in replacing the property.

INTEREST ON U. S. BONDS AND TOWNSHIP WARRANTS

QUESTION: If a bank owns U. S. Bonds and Township Warrants is the interest received on these deductible?

OPINION: Interest on U. S. Bonds and Township Warrants is not taxable to a corporation for 1922 and should not be included in income reported.

TAX ON CIRCULATION

QUESTION: Is the tax on circulation deductible on the income tax return of a bank?

OPINION: The tax on circulation is deductible on the income tax return of a bank.

CHAMBER OF COMMERCE DUES.

QUESTION: Are dues to the Chamber of Commerce considered as contributions and therefore, deductible, or are they deductible for any other reason?

OPINION: Such dues are dedutible by the individual or corporation as business expense provided the membership is employed as a means of advancing

the business interests of the individual or corporation.

They are not deductible as contributions by the individual as this is not a charitable organization.

WHAT TAXES ARE DEDUCTIBLE?

QUESTION: This bank pays each year a Federal Capital Stock Tax and pays a tax on its building and real estate and pays a tax on the assessed valuation of the shares of stock which is of course based on the capital, surplus and undivided profits. Are all three of these taxes deductible?

OPINION: All three of the taxes you mention are deductible from gross income.

INHERITED REAL ESTATE SOLD

QUESTION: Inherited real estate held, undivided by four heirs subject to a widow's dower interest, is sold and proceeds are placed in trust with the widow receiving one-third of net income. Is the difference between inheritance value, $15,000 in 1916 and the selling price $25,000, subject to income tax.

OPINION: We wish to advise that the difference between the inheritance value $15,000.00, in 1916 and the selling price, $25,000.00, is subject to income tax and is to be accounted for by the Trustee on Form 1040.

INTEREST ON U. S. GOVERNMENT BONDS

QUESTION: In making out the income report are we exempt as to interest on all issues of Government Bonds and can we deduct same? Opposite what item number on income blank should it be placed if deductible?

OPINION: Interest upon United States Bonds is exempt from tax in the hands of a corporation and therefore should not be included in the gross income reported. It is not a deduction.

332.06
ILL

Illinois Bankers Association

PRESIDENT, WIRT WRIGHT, NAT. STOCK YARDS.

VICE PRESIDENT, M. A. TRAYLOR, CHICAGO.
TREASURER, C. A. BEERS, ROCK ISLAND.
SECRETARY, M. A. GRAETTINGER, CHICAGO.
ASST. SECRETARY, OLIVE S. JENNINGS, CHICAGO.

THE ILLINOIS BANKERS ASSOCIATION — UNITY AND PROGRESS — 1891

TELEPHONE WABASH 2288 — 208 SOUTH LA SALLE STREET — Chicago

DEPARTMENTS

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J. L. SCHLENER, MANAGER
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203 CHAMBER OF COMMERCE BLDG., CHICAGO

FEDERAL TAXATION AND ACCOUNTING
ARCHIBALD HARRIS & CO., COUNSELLORS
MARQUETTE BLDG., CHICAGO

March 19, 1923

WEEKLY BULLETIN NO. 38

Series 1922-1923

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Eleventh Annual Meeting of Chamber of Commerce, U.S.A.

The eleventh annual meeting of the National Chamber will be held in New York City May 8-10, 1923. The headquarters will be at the Waldorf-Astoria hotel. "Transportation in All Its Phases in the United States" and "Europe and Europe's Affairs" will be the two major topics considered. Representative business organizations in every state in the union have been asked to send delegates to the convention and an attendance of from 4,000 to 5,000 business men is looked for.

Representatives of railroads, shipping interests, producers, the motor industry, waterway operators and the public are included in the conference make up and will be heard before the annual meeting. The aspects they will discuss at the meeting include govermental relations to transportation, railroad consolidations, rate schedule readjustments, co-ordination of motor transport and waterway carriers.

Into the European division of the program fall such questions as reparations, war debts, currency depreciation and others which recent developments in France and Germany have made of outstanding importance to American business interests.

President Julius H. Barnes of the national chamber and about 100 American delegates are now abroad to attend the second meeting of the International Chamber of Commerce in Rome. They will return in time for the national chamber meeting and bring first hand impressions of the European situation.

Public Education Campaign

Copy of the sixth talk in the Public Education series is enclosed - "The Bank and Your Investments". Please have this reprinted in local newspapers wherever possible.

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January Issue Bankers Directory Out.

The January issue of the Rand-McNally Bankers Directory is off the press and fully maintains the high standard of excellence set by previous issues.

This, the 94th edition of the bankers Blue Book, marks more than a half century of service to the bankers of the world and the fact that nearly all of the banks of the United States are using this book is proof that the service has met the hearty approval of subscribers.

False Rumors

Recently one of our member banks suffered a run caused by the circulation of a false rumor concerning it and it has been suggested that it might be a good plan for banks every now and then to impress upon the minds of the inhabitants through advertisements in their local papers the importance of using care in making statements regarding financial institutions and to call their attention to statute passed by the legislature in 1921 which reads as follows:

"Any person who shall wilfully and maliciously make, circulate, or transmit to another or others, any statements, rumor or suggestion, written, or printed or by word of mouth, which is directly or by inference derogatory to the financial condition, with intent to affect the solvency or financial standing of any corporation doing a banking or trust business in this State, or any building and loan association doing business in this State, or who shall counsel, aid, procure, or induce another to start, transmit or circulate any such statement, rumor or suggestion, shall be punished by a fine of not more than $500.00 or by imprisonment in the county jail not exceeding one year, or both: Provided, that the truth of said statement established by the maker thereof, shall be a complete defense in any prosecution under the provisions of this Act."

A Word of Appreciation for the Bulletin

As an indication of appreciation of the Bulletin's service we reprint the following letter received from a member bank:

"Some time ago you kindly inserted an ad in the bulletin for us from which we received splendid results. We wish to thank you very much for your kindness and to express our appreciation of your excellent service."

The $100,000,000 Road Bond Issue

At a Good Roads meeting held in Decatur on Friday, Governor Small defended his proposal of a new $100,000,000 Good Roads bond issue, and in part, said that the State of Illinois, through income taxes to the Federal Government, is still paying from $300,000,000 to $400,000,000 a year in war taxes; that this is twice as much as the entire proposed $100,000,000 road bond issue and the authorized $60,000,000 issue combined. He said: "Surely the people of Illinois are justified in spending half as much for this wonderful improvement which will last for generations, as they are now paying each year to the Federal Government in taxes.

The following report has been received of recent action taken by the Executive Committee of the Chicago Association of Commerce:

"The Chicago Association of Commerce, with numerous other organizations, actively participated in the campaign of 1918 in favor of a bond issue of

$60,000,000, to construct a system of main highways in Illinois, which proposal was approved by the voters of the state.

"Approximately $17,000,000 of the $60,000,000 authorized by the people has been spent, leaving $43,000,000 still available. Construction of roads with funds derived from the state bond issue, from the Federal Government and from county taxation, has proceeded at the maximum pace warranted by industrial conditions.

"The Governor of Illinois has proposed to the Legislature that a referendum be ordered on a new issue of $100,000,000 of road bonds. At the same time the State Administration announces that expenditure of the $43,000,000 remaining from the original $60,000,000 will be hastened, so that it will all be spent by the end of 1924."

"The most competent experts in the state agree that the expenditure of such a vast sum of money in so short a time on such a new venture as road construction will result not only in extravagance and waste of the people's money, but also in a disarrangement of the agricultural, building and transportation industries. Experience, not only here but in other states, has shown that such a program would take labor from the farms at a time when most needed by the farmers, because road contractors would be able to offer much higher wages than the farmer could afford to pay, particularly at present crop prices. Much of the material that goes into modern roads also is used in modern buildings, and it is beyond question that with road contractors and building contractors bidding for the same material, the cost to each will be increased and passed along to the tax payer, the business man, the farmer and the renter.

"The $100,000,000 proposal comes at a time when the thoughts of the average citizen are turned to ways of bringing about lower taxation. The Governor's plan is not a proposal for lower taxation. It proposes an increase of expense to those who must pay for the road bonds.

"An unbiased study of the situation leads us to believe that the money now on hand, together with that which will be collected under present rates from motor car licenses, and that which will be available from the Federal Government, will finance all the construction work necessary to a normal expansion of the original state wide plan for a sufficient time to enable the people to reach a calm judgment on the question of additional expenditures.

"We believe, too, that the same public spirited forces which in 1916 created favorable sentiment for the $60,000,000 bond issue are united at this time against the present proposal for the $100,000,000 bond issue.

"We are confirmed in this opinion by expressions from the Sangamon County Farm Bureau, the Madison County Farm Bureau, the Kane County Farm Bureau, and the Cook County Truck Gardeners' and Farmers' Association, representing the sentiment of the farmers in widely different sections of the state, as well as by the expressions of such representative organizations as the Illinois Bankers Association and the Illinois Chamber of Commerce.

"Therefore, by action of the Executive Committee on the recommendations of the Good Roads Committee, it is

"RESOLVED, that The Chicago Association of Commerce, is opposed to the $100,000,000 road bond issue plan presented to the Legislature by the Governor, and that the members of the House of Representatives and the Senate of the State Legislature be memorialized to oppose this scheme on roll-call in committee and on the floor of both houses."

The Chicago Chapter of the American Institute of Banking, at a recent meeting adopted the following resolutions voicing a protest against the proposed $100,000,000 road bond issue declaring that:

> "From a survey of the situation it appears that there are sufficient funds on hand to proceed with the good roads program to the maximum mileage which can be constructed without undue interference

with building and other necessary private enterprises of the citizens of the State.

"Experience indicates that the proposed extension of the road-building program to 1,000 miles a year is impracticable, as well as uneconomic and unnecessary, and that the result would be a great waste of money as well as interference with other business.

"The maximum amount of road building practical, can be financed without burdening the taxpayers with a $100,000,000 bond issue, and a 'pay as you go' program will save the taxpayers, or leave for further road-building if it is to come from the highway revenues, the $50,000,000, in interest which the bond issue would cost."

Federal Legislation
(Washington News Service)

The system of intermediate credits created by the new Rural Credits law will be set up in time to aid farmers, in moving this years crops, Charles E. Lobdell, Chairman of the Federal Farm Loan Board, has stated. The intermediate credit banks, as provided by the law, will be set up within the Federal Land Banks in each of the 12 districts under the supervision of the Federal Farm Loan Board. This system is entirely separate from that of the agricultural credits corporations under the supervision of the Comptroller of the Currency, which also will be established under the new law.

While the intermediate credit banks will be immediately chartered, the Farm Loan Board has issued instructions to the officers of the banks to proceed cautiously and restrict their operations until the new system is firmly established.

Loans will be limited to nine months during the experimental period, although assurance will be given of renewals on live stock paper. The banks are designed under the law to provide credits for agriculture for from six months to three years.

Instead of supplying each of the twelve new banks with $5,000,000 of government funds as working capital at the start, it is understood to be the plan to provide $1,000,000 at once increasing the amount as considered necessary.

Secretary of Agriculture Wallace, in a statement issued on Monday, pronounced the new Farm Credits Act the basis of a new system designed specifically for the relief of the farmer. On the other hand, he declares that it is not class legislation as, in his opinion, it will be helpful to business generally, because it will have the effect of stabilizing agricultural production and marketing.

The Secretary concedes that the new Act may not be foolproof. Its administration perhaps will disclose the need for amendments but, he says, it is an earnest effort by Congress to provide the farmer with the sort of credit of which he has been in need for 50 years. Some lenience in passing judgment upon the new system is asked by Secretary Wallace as time is required to get it in running order.

For Sale

The City National Bank, Evanston, has for sale mahogany finish wood and olive green finish steel filing cabinets used for filing savings pass books, deposit slips, cancelled checks, etc. Also double flat top desk and side tables. If interested write the bank direct.

Complete set of bank fixtures for sale. Same are in first-class condition. If interested, send for photo. Address State and Trust Bank, Highland.

Second-Hand Safe Deposit Boxes Wanted

The South Side State Savings Bank, Quincy, is in the market for a few second-hand safe deposit boxes. If you have any for sale, communicate with the bank direct.

Second-Hand Vault Door Wanted

A member bank which is building a new vault desires to purchase a second-hand door having not less than 3 1/2 inches of solid steel. Any bank having such a door for sale will confer a favor by advising the Secretary, mentioning I.K. 94.

Federal Tax Opinions

(Archibald Harris & Company, Certified Public Accountants
Accounting and Tax Counsellors for the Association, Chicago)

INCOME OF HUSBAND AND WIFE

QUESTION: How would it be best to handle the income of a man and wife which amounts to $6400.00 net? We understand that if this is divided between the two the surtax would not apply. Is it possible that the wife and husband would be allowed an exemption of $2500.00, instead of $2,000.00 since the income is over $4,000.00? If the husband's income is, say, $6,000.00, can he have the wife report part of this as her income and would this reduce the tax?

OPINION: If one return is filed, showing net income of $6,400.00 the exemption will be $2,000.00, plus $400.00 for each dependent, and net income is subject to normal tax and surtax.

If it is desired to file separate returns for husband and wife the income to be reported must be the actual income received by each. The income may not be divided between the two. The exemption, however, may be divided between them, in any amount, or one can claim all of it and the other none.

If the net income of the husband is $6,000 and he reports separately there is no surtax.

LOSS ON AN INVESTMENT AND CONTRIBUTION

QUESTION: "A", an officer of this bank, in the Spring of 1920 invested two thousand ($2,000) dollars in the stock of a local corporation, partly for the purpose of obliging the principal stockholder of such company, whom we will call "B".

The above corporation established a number of agencies for buying produce, which they bought heavily and on which they realized a very heavy loss during the deflation; a loss of the entire value of their capital stock and more. This loss actually occurred in 1920 but was not established until the thorough audit was made in May 1921. At this time "B" agreed with "A" to take the two thousand dollar stock and if by reason of improving business or a sale anything should be gotten out of such stock such proportionate amount would be reimbursed to "A".

"B" did not succeed in making the business profitable and in April 1922 sold the plant to others. The original corporation was thereby dissolved and "B" submitted to a voluntary assessment, personally, to pay the debts of such corporation.

"A" did not consider the transaction closed or the loss established until April 1922. Would he be considered as a dealer in stocks by his connection with the bank, or would he be allowed under the above circumstances to establish this as a loss for 1922? If so,will you kindly advise us how the loss should be set up on his #1040 blank as a deduction.

Would it be a material help if a sale or transfer at a nominal price was made in 1922?

OPINION: "A" is entitled to a deduction in 1922 for the entire amount of his investment and contribution. This item may be deducted under schedule for losses.

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Second-Hand Vault Door Wanted

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OPINION: If one return is filed, showing net income of $38,500.00 the exemption will be $3,000.00, plus $400.00 for each dependent, and net income is subject to normal tax and surtax.

If it is desired to file separate returns for husband and wife the income to be reported must be the actual income received by each. The income may not be divided between the two. The exemption, however, may be divided between them, in any amount, or one can claim all of it and the other none.

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March 26, 1923

WEEKLY BULLETIN NO. 39

Series 1922-1923

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Central States Conference

President Wright and Secretary Graettinger are in attendance at the conference of officers of the bankers associations of the Central States, in Oklahoma City. Four sessions will be held on March 26th, 27th and 28th and the program comprises discussions on Safe Deposit Box Liability and Forms for Management of Safety Deposit Departments; Educational Work of Bankers Associations; Bank Taxation; Keeping the Banking Business Before the Public; Methods of Handling Legislation and others.

General Legislative Conference

Announcement is received of a general legislative conference of the Illinois Chamber of Commerce to be held at the St. Nicholas Hotel, Springfield on Wednesday, March 28th.

The session will begin at 10 A. M. with a meeting of the Board of Directors followed by a general meeting to receive reports of committees. The luncheon program will consist of five minute talks by representative business men of the State on the subject "How proposed Legislation will Affect our Business." The speakers are as follows: Railroads - J.J. Pelley, Chairman, Refrigerator Car Dept., American Railway Association; Insurance - C. W. Olson, President, C. W. Olson & Co. and Secretary Insurance Federation of Illinois; Coal Industry - H. C. Perry, Mine Superintendent, Indiana and Illinois Coal Corp., Hillsboro; Bankers - E.E. Crabtree, President, Farrell State Bank, Jacksonville.

Is A General Sales Tax a Practical Substitute For the Income Tax?

In these times when there is so much talk about taxation and its burdens, suggestions as to relief measures are worthy of consideration. With this Bulletin, there is enclosed copy of an editorial appearing in the March 17th issue of the "Investment News" Chicago, which we recommend for general study.

Delay in Delivery of Bulletin Anticipated

In the past whenever we have approached election day there has been more or less delay in the delivery of the Weekly Bulletin. This, we have been told, is due to the bulk of campaign literature that is put in the mails and we may experience similar trouble during the next few weeks in advance of the spring election day, April 3rd. Therefore if your Bulletin does not reach you at the accustomed time you will understand the reason.

C. P. & St. L. Line End is Ordered
(Washington News Service)

The Interstate Commerce Commission has authorized the receivers of the Chicago, Peoria & St. Louis railroad to suspend operations upon the entire line. The order affects 234 miles of track, extending from Pekin to East St. Louis, and including a number of branches.

Thirty-five cities and towns along the railroad registered their protests before the commission. The commissioners, however, held that in view of average annual losses of $605,000 incurred by the road, abandonment was the only practicable course. Readjustments of rates would not materially improve the road's financial condition, the commission found.

Representatives of the railroad say that the commission's ruling is not final. The ultimate decision on whether the receivers shall be permitted to suspend operation depends upon Circuit Judge Smith of Sangamon county, Illinois who has control of the road through the receivership.

Judge Smith recently gave the road permission to file its appeal with the Interstate Commerce Commission. Within the next two weeks the receivers are to make a new report to Judge Smith, setting forth the commission's ruling. The judge will then set the case for the final hearing, it is expected.

The decisive factor in the commission's decision is said to have been a showing that the road's equipment and roadbed were in such poor state that a $1,750,000 expenditure was needed to make operation safe. The receivers set forth that it was impossible for them to raise this sum.

The decision authorizes the receivers, with the consent of the Springfield court, to offer the line for sale to any person or group willing to operate it as a whole. If no proper bids are forthcoming, the road may be sold in parts. This provision is due to the belief that, since the road cuts through the wealthiest farming sections of Illinois, shippers may be willing to combine to support certain sections of the system.

If no proper bids are offered for sale of the system, either as a whole or in part, the court and the receivers are authorized by the decision to sell the road for junk.

Never before has the commission authorized abandonment of so large a railroad as the Chicago, Peoria & St. Louis. Two years ago receivers for the Missouri & North Arkansas wished to abandon that system, but the government advanced funds to rehabilitate it.

Branch Bank Case to Go to U. S. Supreme Court

The First National Bank in St. Louis will carry its fight for the right to operate branch banks to the Supreme Court of the United States. Permission to do so was granted by the Missouri Supreme Court, which ruled that the operation of branches by National banks violated both State and Federal Banking Laws. The bank also obtained a stay of judgment which will permit it to continue the operation of its present branch at 818 Olive Street. The next move on the part

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The bank also obtained a stay of judgment which will permit it to continue the operation of its present branch at 818 Olive Street. The next move on the part

of the First National Bank will be to present its writ of error to the Supreme Court of the United States and ascertain if that court will entertain the appeal and take jurisdiction of it.

The Missouri Legislature recently adopted a resolution calling upon the President of the United States to direct the Comptroller of the Currency to cause all branch banks in the State to be suspended and closed and to prosecute and cause to be prosecuted any and all such actions as may be further necessary therefor.

The United States Bankers Association Opposed to Branch Banking is interested in the action by States because it is their expressed purpose to work for the passage of legislation in those States whose bank laws are now silent on the question, of which it is reported there are sixteen.

Directors of the Cleveland Chamber of Commerce recently went on record as against any of the proposed federal bills to restrict further the establishing of branch banks, holding that such legislation was uncalled for at this time and against the best financial interests of the Nation.

Federal Reserve System Saved Banks in Farm Sections
By J. H. Tregoe, Secretary-Treasurer National Association of Credit Men in "The Credit Monthly".

As time elapses, we discover new situations that intensify our sincere wonderment that 1921 did not produce the most serious cataclysm of the Nation's history. With credit most blunderingly inflated, with commodities bought at an ungodly peak of prices, with everything shaped up for a serious crash, something happened to prevent it, and we had only a disturbance.

In registering from time to time our sincere respect and gratitude to the Federal Reserve System, we have spoken entirely of its benefits to the merchandise debtor. We have emphasized the vigorous manner in which the delicate operation was carried out of lowering the pyramid of inflated credits, helping thereby to avoid a very expensive crash.

In passing through parts of our agricultural and grazing country recently, I was brought to the realization that aside from the benefits derived by mercantile business from the Federal Reserve System, that it had saved the failure of many banks in the agricultural sections, which in the midst of the orgy crowded themselves with non-liquidating credits.

All of us should know that the Federal Reserve Banks have a most agile and cooperative service department. At the first note of distress, assistance is at hand; the tottering institution is held up so long as there is a chance in the world to pull it through. My admiration for the administration of the System, has, therefore, been intensified. My opinion is based not merely on stories I have heard; I have seen with my own eyes; I speak whereof, I know. There isn't a doubt but what discretion was thrown to the winds by many banking institutions in the agricultural and grazing sections of our country. Had it not been for the Federal Reserve Banks, the failures of these institutions would have been appalling. As it is, failure among member banks is negligible. The much larger percentage of mortality among banking institutions in the past two years is in the ranks of the non-member banks - those which divorced themselves, those which could not or would not secure for themselves the protection and service of this very useful system.

I understand more vividly than ever why a cataclysm did not occur in 1921. It would have come beyond a shadow of a doubt had our business and our banks been without the supporting and protecting services of the Federal Reserve System. I say fervently, "all glory to it and all confusion to its enemies."

of the First National Bank will be to present its writ of error to the Supreme Court of the United States and ascertain if that court will entertain the appeal and take jurisdiction of it.

The Missouri Legislature recently adopted a resolution calling upon the President of the United States to direct the Comptroller of the Currency to cause all branch banks in the State to be suspended and closed and to prosecute and cause to be prosecuted any and all such actions as may be further necessary therefor.

The United States Bankers Association Opposed to Branch Banking is interested in the action by States because it is their expressed purpose to work for the passage of legislation in those States whose bank laws are now silent on the question, of which it is reported there are sixteen.

Directors of the Cleveland Chamber of Commerce recently went on record as against any of the proposed Federal bills to restrict further the establishing of branch banks, holding that such legislation was unsolled for at this time and against the best financial interests of the Nation.

Federal Reserve System Saved Banks in Farm Sections

By J. H. Tregoe, Secretary-Treasurer National Association of Credit Men in "The Credit Monthly".

As time elapses, we discover new situations that intensify our sincere appreciation that 1921 did not produce the most serious catalysm of the Nation's history. With credit most blindingly inflated, with commodities bought at an unholy peak of prices, with everything shaped up for a serious crash, something happened to prevent it, and we had only a disturbance.

In registering from time to time our sincere respect and gratitude to the Federal Reserve System, we have spoken entirely of its benefits to the merchandise debtor. We have emphasized the victorious manner in which the deflocate operation was carried out of lowering the pyramid of inflated credits, helping thereby to avoid a very expensive crash.

In passing through parts of our agricultural and grazing country recently, I was brought to the realization that aside from the benefits derived by mercantile business from the Federal Reserve System, that it had saved the failure of many banks in the agricultural sections, which in the midst of the orgy crowded themselves with non-liquidating credits.

All of us should know that the Federal Reserve Banks have a most agile and cooperative service department. At the first note of distress, assistance is at hand; the tottering institution is held up so long as there is a chance in the world to pull it through. My admiration for the administration of the System, has, therefore, been intensified. My opinion is based not merely on stories I have heard; I have seen with my own eyes! I speak whereof, I know. There isn't a doubt but what discretion was thrown to the winds by many banking institutions in the agricultural and grazing sections of our country. Had it not been for the Federal Reserve Banks, the failures of these institutions would have been appalling. As it is, failure among member banks is negligible. The much larger percentage of mortality among banking institutions in the past two years is in the ranks of the non-member banks - those which disregard themselves, those which could not or would not secure for themselves the protection and service of this very useful system.

I understand more vividly than ever why a catastrophe did not occur in 1921. It would have come beyond a shadow of a doubt had our business and our banks been without the supporting and protecting services of the Federal Reserve System. I say fervently, "All glory to it and all confusion to its enemies."

Farm Taxes Doubled
(Washington News Service)

Taxes on farm lands have more than doubled in the eight years from 1914 to 1923.

A canvass by the department of agriculture, just completed, shows the average amount of state, county and local taxes paid by farmers throughout the country in 1922 to have been 70.9 cents an acre, compared with 31.4 cents in 1914. The canvass disclosed that roads and public schools were the principal causes of the increased taxes.

Farm Output Over $14,000,000,000
(Washington News Service)

Products of the farm were valued at $14,310,000,000 last year, ranking the output as the fifth most valuable in the history of the nation. The department of agriculture has just announced its estimates in classified form as follows:

Cereal Crops	$3,550,000,000
Cotton, lint and seed	1,370,000,000
Flax, fiber and seed	26,000,000
Fruits and fruit products	612,000,000
Hay and forage	1,409,000,000
Legume seeds (beans, peanuts, etc.)	142,000,000
Seeds for planting (clover, etc.)	43,000,000
Sugar crops	114,000,000
Tobacco	306,000,000
Vegetables	220,000,000
Farm garden crops	391,000,000
Farm-forest products	305,000,000
Other crops	126,000,000
Animals raised	2,293,000,000
Bee products	11,000,000
Dairy products	2,090,000,000
Poultry products	884,000,000
Wool	69,000,000
Other animal products	2,000,000

Federal Tax Opinions
(Archibald Harris & Company, Certified Public Accountants
Accounting and Tax Counsellors for the Association, Chicago)

DISTINCTION BETWEEN REPAIRS AND REPLACEMENTS

QUESTION: A question has arisen in regard to tax rendition for the year 1922; if you will look at one of these blank reports you will see that the Government does not allow you to charge as "Repair" account, any item which takes the place of some material that needs replacement, but that the same must be charged to "Replacement account".

In the past we have been charging to Repair Account all items that went into the repairing of our plant to put it in producing condition, and we are in a quandry to know just how to handle, or have handled, these matters before the commission.

OPINION: This is a difficult subject to attempt to cover in a letter but we believe that we can make ourselves sufficiently clear.

Farm Taxes Doubled
(Washington News Service)

Taxes on farm lands have more than doubled in the eight years from 1914 to 1923.

A census by the department of agriculture, just completed, shows the average amount of state, county and local taxes paid by farmers throughout the country in 1922 to have been 70.5 cents an acre, compared with 32.4 cents in 1914. The canvass disclosed that roads and public schools were the principal causes of the increased taxes.

Farm Output Over $14,000,000,000
(Washington News Service)

Products of the farm have valued at $14,310,000,000 last year, making the output as the fifth most valuable in the history of the nation. The department of agriculture has just announced its estimates in classified form as follows:

Cereal Crops	$3,880,000,000
Cotton, lint and seed	1,870,000,000
Flax, fiber and seed	26,000,000
Fruits and fruit products	810,000,000
Hay and forage	1,400,000,000
Legume seeds (beans, peanuts, etc.)	142,000,000
Seeds for planting (clover, etc.)	43,000,000
Sugar crops	114,000,000
Tobacco	308,000,000
Vegetables	280,000,000
Farm garden crops	321,000,000
Farm-forest products	305,000,000
Other crops	180,000,000
Animals raised	3,203,000,000
Bee products	11,000,000
Dairy products	2,080,000,000
Poultry products	664,000,000
Wool	60,000,000
Other animal products	5,000,000

Federal Tax Opinions
(Archibald Berrie & Company, Certified Public Accountants
Accounting and Tax Counsellors for the Association Changes)

DISTINCTION BETWEEN REPAIRS AND NEW CONSTRUCTION

QUESTION: A question has arisen in regard to tax credits for the year 1923.

If you will look at one of these blank reports you will see that the Government does not allow you to charge as "Repair" amounts, any item which takes the place of some material that cannot be replaced, but that the cost must be charged to "Betterment account".

In the past we have been charging to Repair Account all items that went into the repairing of our plant in order to keep it in producing condition and we are in a quandry to know just how to handle, or have handled, these matters before the commission.

OPINION: This is a difficult subject to attempt to cover in a letter but we believe that we can make ourselves sufficiently clear.

If we have a desk and put on some special handles or a molding around the edge which was never there before, or something else in the character of an addition to the desk, then we add that to the capital account as an asset. Such items are termed the "additions" or "betterments".

Should the top be wearing out so that the desk would have to be discarded shortly unless something were done with it, the replacement comes under the head of "renewals" and is a charge to depreciation reserve. By replacing the top that was wearing out, we have extended the life of the desk. Anything therefore that extends the life is a "replacement" or "renewal".

Suppose the desk should have a broken leg or a broken drawer, or should need a certain amount of "tuning up" simply to maintain it in condition, then that is a "repair".

The repairs are an expense of the year and you should charge into that account all items that go into the maintaining of your plant in good condition so that it can properly function, and produce your product. However, we must distinguish between a "repair" which maintains, and a "replacement", which extends the life.

SHOULD A VALUATION BE MADE?

QUESTION: Please give us advice on the following case: Partnership incorporated in 1912. One building was not taken over when incorporated. In 1917 building was entered on books at a valuation of $4,000. The Government informs company that $4,000 has been disallowed for the reason that appraisal of value was not taken by disinterested party. Officers of corporation think they will disallow same for subsequent years.

Would an appraisal at this time based on valuation as of 1917 or any other year, establish sufficient evidence in the case and permit the corporation to leave its invested capital as reported.

OPINION: The item of invested capital can in all probability be established and allowed in the event that an appraisal by a disinterested party is made. Such value would be in the nature of Paid in Surplus.

DEDUCTING 1921 LOSSES AGAINST 1922

QUESTION: We understand that under the present revenue law, we can deduct from our taxable income for 1922 the loss sustained from operations during the year 1921. We would thank you to advise us just what procedure is necessary in order to claim this deduction.

OPINION: Under the present revenue law you can deduct from your taxable income for 1922 the loss sustained from operations during the year 1921. In preparing your Form, enter the amount of your loss for the last year on page one, Line 23-C, which will show that there is a net loss for this year, or that it will not be necessary to fill in computation of taxes, but return must be filed.

PERMISSION TO CHANGE FISCAL TO CALENDAR YEAR

QUESTION: A bank closed its books on June 7, but makes its income tax report according to the calendar year. This bank desires to change its fiscal year to the calendar year.

Will it be necessary for this bank to get permission from the Commissioner of Internal Revenue to do this?

OPINION: It will be necessary for you to get permission from the Commissioner of Internal Revenue to change the date of your filing.

332.06
ILL

Illinois Bankers Association

PRESIDENT, WIRT WRIGHT, NAT. STOCK YARDS.

VICE PRESIDENT,
M.A. TRAYLOR, CHICAGO.

TREASURER,
C.A. BEERS, ROCK ISLAND.

SECRETARY,
M.A. GRAETTINGER, CHICAGO.

ASST. SECRETARY,
OLIVE S. JENNINGS, CHICAGO.

TELEPHONE WABASH 2288

208 SOUTH LA SALLE STREET

Chicago

DEPARTMENTS

PROTECTIVE
J. L. SCHLENER, MANAGER
208 SO. LA SALLE STREET, CHICAGO

LEGAL
GEO. E. FINK, COUNSEL
203 CHAMBER OF COMMERCE BLDG., CHICAGO

FEDERAL TAXATION AND ACCOUNTING
ARCHIBALD HARRIS & CO., COUNSELLORS
MARQUETTE BLDG., CHICAGO

April 2, 1923

WEEKLY BULLETIN NO. 40

Series 1922-1923

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A Message from the President

-Primarily to County Federation Officers-

Your Secretary and President have just attended the Central States Conference, made up of the officers of fourteen State Bankers Associations in the Mississippi Valley. The meeting was in hospitable Oklahoma City. Three days were spent in earnest and intimate discussion of various phases of Association work. A moral reasonably could be drawn from it all: To achieve results worth while for the membership, live county organizations are essential.

So the time and effort invested to this end by the County Federations Committee and your officers appear to be once more justified. All but thirteen of our counties are organized. These Federations will be valuable to their members in exact proportion to their activity,-and that is checked straight up to the officers.

Hold your annual county meetings during April and early May, make the programs snappy, decide matters you wish to refer to Group meetings and elect your officers for next year.

-To all members-

By the way, don't jump to conclusions as to the merit of the proposed bank insurance risk plan until the returns are all in. Your Insurance Committee and officers have not formulated this proposal without due consideration. The complete prospectus should be ready soon and the plan will be laid before you in such detail that you will be prepared to exercise your own discretion intelligently.

WIRT WRIGHT,
President.

-Conference of Group Officers and Administrative Committee-

The Administrative Committee and the Group Chairmen and Secretaries will meet in Chicago on Thursday, April 5th for the purpose of discussing programs and arrangements for the group meetings.

Membership Record

Membership March 1, 1923 1,876

New Member Enrolled

Federal Land Bank of St. Louis, St. Louis, Mo. 1

1,877

Deductions

Highland Park State Bank Highland Park (Consolidated)
Sixteenth Street State Bank Chicago (closed) 2
Membership April 1, 1923 1,875

To Investigate Waterway Plan
(Press Note)

A special committee of the United States Senate will come to Chicago in a few weeks to hold hearings on a proposal to dredge the Illinois and Mississippi rivers so that barges now operating from New Orleans to Cairo and St. Louis and from Louisville to Pittsburgh can reach Chicago.

The same committee will base upon these investigations its recommendation concerning a bill proposed by Senator McCormick of Illinois providing for a nine-foot channel from Utica to Cairo to conform to the channel from Cairo to New Orleans and to Pittsburgh. The committee will travel down the rivers to New Orleans gathering evidence.

Chicagoan Selected for Comptroller

It has been announced that President Harding has selected Henry M. Dawes of Chicago to be Comptroller of the Currency to succeed D. E. Crissinger, who has been appointed Governor of the Federal Reserve Board. Mr. Dawes is a brother of Gen. Chas. G. Dawes and a Director of the Central Trust Company of Illinois.

Edmund D. Hulbert Dies

Edmund D. Hulbert, President of the Merchants Loan & Trust Company, Illinois Trust & Savings Bank and Corn Exchange National Bank of Chicago, died suddenly Friday morning following an attack of influenza and a long battle with acute neuritis. His death comes less than two weeks short of the merger of the Merchants Loan & Trust and Illinois Trust & Savings, to be known as the Illinois Merchants Trust Company, of which he was to be head.

Optional Redemption of Uncalled Victory Notes

The Federal Reserve Bank of Chicago calls attention to the fact that it is authorized to accept for immediate redemption at the option of the holder, any of the uncalled Victory 4 3/4% notes bearing the distinguishing letters G,H,I,J, K or L, prefixed to their serial numbers, payment to be made at par and accrued interest to the date of such optional redemption.

Central States Conference

Officers from all of the Bankers Associations in the Mississippi Valley comprising the Central States Conference, met at Oklahoma City on March 26, 27, 28. Secretary W. F. Keyser, of the Missouri Bankers Association, presiding.

Membership Record

Membership March 1, 1923 1,876

New Member Enrolled

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Central States Conference

Officers from all of the Bankers Associations in the Mississippi Valley comprising the Central States Conference, met at Oklahoma City on March 28, 27, 28. Secretary W. F. Keyser, of the Missouri Bankers Association, presiding.

Legislation exactly defining the liability of the bank in case of burglary of Safe Deposit Boxes and greater diligence on the part of the banker in warning his customers against placing bonds and securities in such boxes when inclosed in only fire proof equipment, were urged in discussion on this subject.

The establishment of country Credit Bureaus and Clearing Houses was advocated by C. W. Allendorfer, Chairman of the Executive Committee of the Clearing House Section of the American Bankers Association.

Favorable reports were received with regard to the educational campaign in the schools.

A special form of income tax blanks for banks was discussed and bankers generally will be asked by Association Secretaries to join their requests in urging the Internal Revenue Department to adopt such blanks.

Addresses were made by D. S. Wolfinger, a former president of the Oklahoma Bankers Association and Dr. Chas. Evans, Extension Department, Oklahoma Agricultural & Mechanical College, Oklahoma City.

The delegates were royally entertained. They were tendered a banquet on Monday evening by the Oklahoma City Clearing House and another on Tuesday evening by the Oklahoma Bankers Association. On Wednesday noon the Oklahoma City Chamber of Commerce was host at a luncheon. Everything possible was done to make everybody happy.

Secretary S. A. Roach of the Ohio Bankers Association was elected President and Secretary R. E. Wait of the Arkansas Bankers Association, Secretary for the coming year. It was decided to hold the next meeting in Indianapolis.

Editorials on Topics of the Day
(From the Manufacturers News)

- Why Celebrate? -

"John H. Walker, President of the Illinois Federation of Labor, has announced that the United Mine Workers of Illinois will celebrate the anniversary of the 8 hour day on April 2. According to Mr. Walker the 8 hour day has been in vogue in Illinois since April 1, 1898. It was a sorry day for the miner in Illinois when the Union got sufficient grip on him to force an 8 hour day. He works six hours mostly now and, as we understand, about 150 days a year. In other lines of industry the workman has an average of about 300 days a year, and in many he can earn about as much money as his energy and skill will permit. It seems to us the miner should put on sackcloth instead of preparing to get gay."

"Since the coal mines in Illinois passed under the jurisdiction of the United Mine Workers the average miner has little to say, because he cannot get a job unless he belongs to the Union and he cannot belong to the Union unless he lets his employer collect the dues. He is practically a slave. His condition is not half as good as it is in West Virginia and Kentucky, where the hours are unlimited under non-union conditions."

"Mr. Walker also takes unto himself much credit for the reduction in the number of accidents. Everything done inthis respect has been done through the cooperation of the mine owner with the mine worker, and the United Mine Workers' organization is entitled to no more credit than is the organization of the coal operators."

"We wonder what kind of a celebration Walker will get up for the twenty-second of June, 1923, the first anniversary of the Herrin massacre!"

For Sale

One "First National Bank" sign, 18 inches high, 5 feet long, glass covered. Address American National Bank, Lincoln.

In the Market for Second-Hand Safe Deposit Boxes

The Bank of Yates City, Yates City, Illinois, is in need of a nest of about

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(From the Labor Returns News)

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In the Market for Second-Hand Safe Deposit Boxes

The Bank of Yates City, Yates City, Illinois

50 second-hand safe deposit boxes. These must be the depth of 16 or not to exceed 18 inches over all. Address the bank direct.

Cashier Wanted

The First National Bank of Riverside, Illinois, is looking for a good, all-round, experienced man for Cashier. This is a new bank just being formed in one of the finest suburbs of Chicago, with the best of prospects. It is affiliated with the National Bank of the Republic, Chicago. Applications should be addressed to Joseph Harrington, President, Riverside, giving experience, age and salary expected.

Position Wanted

Experienced bank man, 35 years of age, who has had 10 years' experience in both national and state banks, desires position. Is capable of taking charge of any department in a small bank and any one of several departments in a larger institution. Address O. M. D. 95 c/o Illinois Bankers Association, 208 S. LaSalle St., Chicago.

Federal Tax Opinions

(Archibald Harris & Company, Certified Public Accountants
Accounting and Tax Counsellors for the Association, Chicago)

EXCHANGE OF PROPERTY

In the last days of Congress which adjourned March 3, 1923, a bill (H.R.13774) was passed amending Section 202 (c) (1) of the Revenue Act of 1921 to read:

> "(1). When any such property held for investment, or for productive use in trade or business (not including stock in trade or other property held primarily for sale, and in the case of property held for investment not including stock, bonds, notes, choses in action, certificates of trust or beneficial interest, or other securities or evidences of indebtedness or interest), is exchanged for property of a like kind or use."

Before Amendment, the 1921 Revenue Law provided that if a taxpayer exchanged property, real, personal or mixed for any other such property, no gain or loss was to be reported unless the property received in exchange had a readily realizable market value. And, even then no gain or loss was recognizable on any such property exchanged for property of a like kind or use, (not including stock in trade) if the exchanged property had been held for investment or for use in a trade or business. In the case, however, of stock in trade the gain or loss was required to be reported if the taxpayer's stock in trade was exchanged for like property having a readily realizable market value.

Now under the amendment, certain other exchanges may result in a gain or loss if the property received in exchange is of a like kind or use and has a readily realizable market value.

The first of the two new provisions is to the effect that if the property exchanged was held primarily for sale, a gain or loss is sustained if the property received in exchange has a readily realizable market value.

The second is that if a taxpayer exchanges property which has been held for investment and receives like property having a readily realizable market value, any gain derived or loss sustained must be accounted for if such property is in the form of stocks, bonds, notes, choses in action, certificates of trust or beneficial interest, or other securities or evidences of indebtedness or interest.

One may, it appears, exchange property such as real estate and account for no gain or loss even if the real estate received in exchange has a readily

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The first of the two new provisions is to the effect that if the property exchanged was held primarily for sale, a gain or loss is sustained if the property received in exchange has a readily realizable market value.

The second is that if a taxpayer exchanges property which has been held for investment, and receives like property having a readily realizable market value, any gain derived or loss sustained must be accounted for if such property is in the form of stocks, bonds, notes, choses in action, certificates of trust or beneficial interest, or other securities or evidences of indebtedness or interest.

One may, it appears, exchange property such as real estate and account for no gain or loss even if the real estate received in exchange has a readily

realizable market value provided the real estate exchanged was held for investment and not for resale. In any case, however, where stocks, bonds, etc., are exchanged for other like property having a readily realizable market value, gain or loss must be accounted for whether the stocks or bonds were held for resale or for investment.

BORROWED CAPITAL

QUESTION: This corporation was organized on January 1, 1918 and took over the assets and liabilities of a certain partnership. The properties were set up at the same value as that at which they were carriedon the partnership books. Among other things was a reserve for excess profits taxes payable by the partnership. May we include this reserve in our invested capital?

OPINION:

(1) No. You may not.

(2) The reserve when transferred to your books represents borrowed capital and can not be included in your invested capital.

A BOND WITH CLAIMS FOR REFUND

QUESTION: Is it advisable to file a claim for the calendar year 1917, regardless of whether any specific sum is known to be refundable.

If so kindly advise us whether this will necessitate a bond being put up with the Income Tax Department, and oblige.

OPINION: It is not necessary for you to file a bond with a claim for Refund for 1917.

REFUND OF TAXES

QUESTION: We are in receipt of a form to file with the Revenue Collector for refund on Income and Profit Taxes for the year 1917. We think that 1917 tax was probably correct, however, we are filing the form as instructed.

The year 1918 was the year in which we feel that we were overtaxed.

OPINION: We believe it was the proper thing to file a claim on your 1917 tax, even though it was probably correct. However, there is no harm in being prepared. We note what you say in regard to the 1918 tax, and when the matter comes up should you desire any assistance, we will be pleased to have you call on us.

PAYING INCOME TAXES WITH CERTIFICATES OF INDEBTEDNESS

Have you some Treasury Certificates of Indebtedness Series T S 2 - 1923 dated March 15, 1923 and maturing September 15, 1923:

If so you can use them in paying your installment of income taxes due September 15th. Collectors of Internal Revenue have been authorized and directed to receive these certificates at par in payment of taxes. They can not of course receive an amount in excess of the taxes and refund you any money. If your taxes are $6500.00 they cannot accept $7,000 worth of these certificates and give you the $500 difference, they can only take the amount of the taxes in certificates or less.

If you are not acquainted with all the provisions in regard to the acceptance of Treasury Certificates in payment of taxes you should get a copy of Treasury Decisions 3421 dated January 2, 1923.

The Treasury Decision which authorizes the acceptance of the certificates dated March 15th was issued March 15th, 1923 and is number 3452.

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QUESTION: This corporation was organized on January 1, 1918 and took over the assets and liabilities of a certain partnership. The properties were set up at the same value as that at which they were carried on the partnership books. Among other things was a reserve for excess profits taxes payable by the partnership. May we include this reserve in our invested capital?

OPINION:

(1) No. You may not.

(2) The reserve when transferred to your books represents borrowed capital and can not be included in your invested capital.

A BOND WITH CLAIMS FOR REFUND

QUESTION: Is it advisable to file a claim for the calendar year 1917, regardless of whether any specific sum is known to be refundable.

If so kindly advise us whether this will necessitate a bond being put up with the Income Tax Department, and oblige.

OPINION: It is not necessary for you to file a bond with a claim for Refund for 1917.

REFUND OF TAXES

QUESTION: We are in receipt of a form to file with the Revenue Collector for refund on Income and Profit Taxes for the year 1917. We think that 1917 tax was probably correct, however, we are filing the form as instructed.

The year 1918 was the year in which we feel that we were overtaxed.

OPINION: We believe it was the proper thing to file a claim on your 1917 tax, even though it was probably correct. However, there is no harm in being prepared. We note what you say in regard to the 1918 tax, and when the matter comes up should you desire any assistance, we will be pleased to have you call on us.

PAYING INCOME TAXES WITH CERTIFICATES OF INDEBTEDNESS

Have you some Treasury Certificates of Indebtedness Series T S 2 - 1923 dated March 15, 1922 and maturing September 15, 1923:

If so you can use them in paying your installment of income taxes due September 15th. Collectors of Internal Revenue have been authorized and directed to receive these certificates at par in payment of taxes. They can not of course receive an amount in excess of the taxes and refund you any money. If your taxes are $8500.00 they cannot accept $7,000 worth of these certificates and give you the $500 difference, they can only take the amount of the taxes in certificates or less.

If you are not acquainted with all the provisions in regard to the acceptance of Treasury Certificates in payment of taxes you should get a copy of Treasury Decisions 3421 dated January 2, 1923.

The Treasury Decision which authorizes the acceptance of the certificates dated March 15th was issued March 15th, 1923 and is number 3436:

332.06
ILL

Illinois Bankers Association

PRESIDENT, WIRT WRIGHT, NAT. STOCK YARDS.

VICE PRESIDENT, M.A. TRAYLOR, CHICAGO.
TREASURER, C.A. BEERS, ROCK ISLAND.
SECRETARY, M.A. GRAETTINGER, CHICAGO.
ASST. SECRETARY, OLIVE S. JENNINGS, CHICAGO.

TELEPHONE WABASH 2288 — 208 SOUTH LA SALLE STREET

Chicago

DEPARTMENTS

PROTECTIVE
J. L. SCHLENER, MANAGER
208 SO. LA SALLE STREET, CHICAGO

LEGAL
GEO. E. FINK, COUNSEL
203 CHAMBER OF COMMERCE BLDG., CHICAGO

FEDERAL TAXATION AND ACCOUNTING
ARCHIBALD HARRIS & CO., COUNSELLORS
MARQUETTE BLDG., CHICAGO

April 9, 1923

WEEKLY BULLETIN NO. 41

Series 1922-1923

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Conference of Group Officers and Administrative Committee

A well attended conference of Group Chairmen and Secretaries and the Administrative Committee was held on Wednesday at which arrangements and programs for the group meetings this Spring were thoroughly gone into and it was agreed that the Association shall have competent speakers present for discussion the subjects,-"Insurance and the Contemplated Mutual Company for Bankers; "Protection and the Work of the Protective Department" and "The Banks' Relation to the Association." In addition, the Secretary was instructed to negotiate for the attendance of a prominent speaker to talk on a subject of general interest.

Arrangements will be made for the usual special cars, designated "The I.B.A. Group Special", for the convenience of Association officers, representatives of the city banks and others attending the meetings. A surprise feature in the way of novel entertainment will be provided.

The enthusiasm evinced by the Group Officers in regard to the preliminary arrangements augurs well for the success of the 1923 Group Meetings.

Herrin Jury Again Acquits

A verdict of "Not Guilty" was returned in the second Herrin Massacre trial last week. The State's Attorney has abandoned all the remaining indictments claiming that apparently justice cannot be obtained in Williamson County.

Business Conditions

- As Reported by the Federal Reserve Bank of Chicago -

"Financial operations in the Seventh Federal Reserve District during February and early March are evidence of the favorable credit conditions existing at present. In the agricultural sections the March 1 settlement period was met with little strain on the banks, reflecting the better financial situation of both banks and farmers compared with the years

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immediately preceding. In industrial centers, the increased demand for bank accommodation resulted from the active operations of manufacturing plants and from delay in shipping their finished products-a delay caused not only by car shortage but by the present large volume of shipments. Contributing to this freight congestion is the heavy demand for steel and iron, and for raw materials, both for manufacturing and for construction work. Distribution of lighter merchandise also is especially active for this time of year in most lines. Accompanying the expansion in production and distribution, is the general rise in commodity prices, an important factor in determining conditions.

To what extent the increased buying power is traceable to a better return from industry and business undertakings, or to what extent it is due to the release of a large volume of funds in the Middle West through the retirement of Victory notes and War Savings certificates, is difficult to determine. The recent inactive investment market when compared with the amount of funds released through maturing investments, indicates that a considerable portion of the proceeds of the matured Government obligations is being utilized to retire outstanding individual indebtedness, and is stimulating to some extent at least the increasing purchasing movement."

- As Reported by the Federal Reserve Bank of St. Louis-

"The trend of general business in this district during the past thirty days was very emphatically in the direction of further improvement. In virtually all lines investigated sales of wholesale and retail merchants reflected expansion, and manufacturers carried their production higher than for any similar period since the early part of 1920, with many attaining the highest levels ever reached. Additional advances in commodity prices and wages were noted, and there were further accretions to the numbers of employed in the ranks of both common and skilled workers. A shortage of labor exists in several of the important industries, which fact coupled with inadequate transportation service and scarcity of raw materials, served to hold down output and distribution of manufactured goods.

"The upward trend in commodity prices noted in the preceding issue of this report continued during the period under review, despite the endeavors of manufacturers and producers of raw materials to curb advances, which in many instances are deemed unwarranted by existing conditions of supply and demand. The more conservative element in the business community is apprehensive lest prices should mount to levels which will result in heavily curtailed buying on the part of the public and bring about a repetition of conditions such as precipitated the reaction in 1920. To date, however, the upward swing has acted as a stimulus to business and in the desire to obtain goods, service at the moment is counting more than price."

Daylight Savings

Daylight Savings will begin in Chicago April 29th when all clocks will be set ahead one hour in accordance with the usual daylight saving plan. Through trains and mail will be operated on standard time.

J.D.Phillips Ill

Report has been received of the serious illness of Mr. J. D. Phillips of Green Valley who is suffering with an attack of double pneumonia, - however his many friends will be glad to know that latest reports are to the effect that he is improving satisfactorily.

'Blue Sky' Propositions Denied Licenses.
(Press Note)

Licenses to sell land near the government's Muscle Shoals project in Alabama

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Licenseswere refused to James Swinehart, Harry Denby and Burlie G. Wesley of the Muscle Shoals Land Corporation, 116 South Michigan avenue; James W. Paige, Mrs. James D. Marshall, Leopold Gross, and Gerhardt E. Wyneken of the Muscle Shoals Development association, 105 North Clark Street, and I. Sidney Nieman of the Muscle Shoals Construction and Land corporation, 10 North Clark Street, all of Chicago.

Rediscount Rates of New Land Banks
(Washington News Service)

Rediscount rates of 5 1/2 per cent, which will mean an interest rate of 7 per cent to the farmer, will prevail when the new intermediate credit banks open their doors for business.

Regulations governing the operation of the banks have been announced by the farm loan board. At the same time, Charles E. Lobdell, head of the board, made it known that the initial rediscount rate, which will be promulgated by the banks, themselves, subject to the approval of the board, will be 5 1/2 per cent and uniform among the twelve banks.

Under the new law, banks which rediscount agricultural paper at the new intermediate credit banks must charge their borrowers not more than 1 1/2 per cent in excess of the rediscount rate.

Limiting the rate to the farmer to 7 per cent will mean, according to Mr. Lobdell, that the borrowers in the western agricultural sections need no longer pay such rates as 8, 10 and 12 per cent or more, as have prevailed in the past.

The rediscount rate of 5 1/2 per cent is 1 per cent higher than the rate of 4 1/2 per cent which now prevails at the federal reserve banks.

Mr. Lobdell said that the twelve new banks should be ready to begin operation about April 20. He said it was not anticipated that the volume of business would be large at the start and each of the twelve banks has been allotted an initial capital of $1,000,000 instead of $5,000,000 as authorized by the law. The banks, one of which is located in each of the cities where there is a federal land bank, thus will start business with government capital aggregating $12,000,000, which gradually will be increased to $60,000,000.

Banker-Farmer Conference
(Press Note)

The first of a series of banker-farmer conferences to be conducted under the direction of Prof. D.H. Otis, director of the Agricultural Commission of the American Bankers Association, was held in Madison, Wisconsin, March 22 and 23.

Similar conferences will be held in every Federal Reserve district in the United States, the Madison meeting being attended by representatives from every state in the Seventh district.

Burton M. Smith of North Lake, chairman of the Agricultural Commission of the A.B.A., opened the conference with an explanation of its purpose. Dean H.L.Russell of the College of Agriculture, University of Wisconsin, spoke on "Some of Our Pressing Agricultural Problems and What Bankers Can Do to Help in Their Solution" while "Balancing in the Farm Ledger - Production That Pays" was the subject of an address by Prof. L. F. Graber of the department of agronomy. Prof. Theodore W. Mackin of the department of agricultural economics, spoke on "Our Farm Marketing Problems".

Dean Russell presided at the dinner and round table discussion which took place following the first day's sessions. He is chairman of the advisory council of the A.B.A. Agricultural Commission. John H. Puelicher, President of the Marshall & Ilsley Bank, Milwaukee, and President of the American Bankers Association, delivered the principal address on "Why I am Interested in the Farmer". Prof. T.L.

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"Why Bankers Should be Interested in the Farm Home" was the topic assigned Mrs. Nellie Kedzie Jones, in charge of home demonstration agents at the College of Agriculture. Fred N. Shepherd, Executive Manager of the American Bankers Association, told of "The Bankers' Response to the Call of Agriculture".

The second day's sessions opened with a visit to the Wisconsin dairy school and the visitors were then taken to the soils building where a demonstration on testing soils for acidity was conducted by Prof. Emil Truog of the department of schools at the college. Correcting soil acidity by the use of lime was explained by Prof. Griffith Richards.

A discussion of "How Can We Arouse Greater Interest in Agriculture Through Our State Bankers' Associations?" was led by Mr. Smith. This embraced many suggestions for increasing the circulation of the "Banker-Farmer", which is now published at Madison under the supervision of Prof. Otis.

Overexpansion Warning Issued by 2 New York Banks
(Press Note)

Two of the country's largest banks have independently issued analyses of the business situation containing warnings that business men must watch for overexpansion and beware of anything approaching inflation. Neither holds the opinion that there is inflation, but each warns that it might develop if proper precaution and foresight is not exercised.

The institutions issuing these warnings are the Chase National Bank and the Guaranty Trust Company of New York. Benjamin M. Anderson, Jr., Ph.D., who is economist for the former bank and who has written the article to be published in the Chase Bank's economic bulletin just released, says:

"One cannot with certainty predict the duration of the present business boom. The momentum is strong and business psychology is rapidly growing enthusiastic. One, however, may with a good deal of confidence point out factors of uncertainty and danger already in operation which are tending to bring the boom to an end, and one may with even greater confidence indicate what is sound and prudent policy in such a situation."

The Guaranty Trust Company in making public an article prepared by one of its officers for the institution's publication, "The Guaranty Survey", says:

"The expansion of production and trade has reached a stage which tends to focus attention upon the probable duration of the present movement and especially upon its relation to bank credit. On the one hand, insistent warnings are heard that 'inflation' is insipient or well advanced with disastrous consequences impending, and, on the other, are repeated expressions of the opinion that the bases of the present activity are sound and that a period of substantial and sustained prosperity has begun."

The Guaranty Trust presents a discussion of the meaning and tests of inflation and says "a rise in commodity prices is not, in itself, evidence of inflation in any reasonable sense; and the same is true of an increase in bank loans."

It points out there is a marked difference between conditions today and those in the period of 1919-20, which was one of inflation. Discussing the so-called "farm relief" credit legislation, the bank says the new machinery enlarges the

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possibilities of credit expansion and warns that "excessive expansion would be as injurious to the farmers as to other elements of the business community."

Will Redeem Victory Notes
(Washington News Service)

The Treasury Department issues the following:

The Treasury stands ready to redeem at any time, at the option of the holder, any uncalled Victory notes maturing May 20, 1923 at par and accrued interest to the date of optional redemption. These notes are now outstanding in the amount of about $620,000,000, and bear the distinguishing letters G, H, I, J, K, or L, previsied to their serial numbers. The notes may be presented to any Federal Reserve Bank or branch, or to the Treasury Department, Washington, and banks and trust companies generally will handle the transactions for their customers.

The treasury again reminds holders of called Victory notes, bearing the distinguishing letters A, B, C, D, E, or F, previsied to their serial numbers, that interest on such notes ceased absolutely on December 15, 1922, in accordance with the terms of the call for redemption. There are still about $80,000,000 of called notes outstanding which have not yet been presented for redemption, and on this amount, in the aggregate, holders are losing interest at the rate of about $10,000 a day, or over $1,000,000 since December 15, 1922. Holders of called notes are urged to present them for redemption without further delay, to any Federal Reserve Bank or branch, or the Treasury Department at Washington, utilizing so far as possible the services at their own banks and trust companies.

Going Up!
(George E. Roberts in "The Nation's Business")

The farm production of the year 1922 is estimated by the Department of Agriculture to have had a value of approximately $2,000,000,000 in excess of that of the year 1921. The most important single item in this increase is in the cotton crop, the price of cotton having advanced abnormally on account of the reduction of world stocks, and the menace of the insect pest, the boll weevil, which threatens seriously to curtail crop yields until some remedy for it is found.

Notwithstanding the ravages of the boll weevil the cotton crop of 1922 was a profitable one to growers, the rise of price having more than compensated for the reduced yield.

The stability of grain production in the United States resulting from the wide expanse of territory over which the crops are grown, is shown by the following figures for the combined yields of five principal grains - corn, wheat, oats, barley, and rye - as computed from official sources.

Year	Total bushels
1922	5,244,026,000
1921	5,178,436,000
1920	5,787,714,000
1919	5,308,782,000
1918	5,309,493,000

Although agriculture is still at a disadvantage in the exchange of its products for the products and services of the other industries, its position is so much improved as to be no longer critical. Banking conditions in the states where agriculture is of predominant importance have greatly improved, and general trade, which in 1921 was very much depressed, is resuming normal proportions.

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For Sale

For sale by the City National Bank of Evanston, one case for outdoor corner clock; also two large French Plate mirrors as follows: one mirror, mahogany frame, total size 7 feet 1 1/2 inches by 3 feet 10 inches, size of glass, 4 feet 9 inches by 2 feet 6 inches; one vault mirror, total size approximately 8 feet by 4 feet 4 inches. If interested correspond with bank direct.

Federal Tax Opinions

(Archibald Harris & Company, Certified Public Accountants
Accounting and Tax Counsellors for the Association, Chicago)

NO STATE TAX ON MORTGAGES HELD BY FEDERAL LAND BANKS

A Federal Land Bank does not have to pay taxes to a state because of mortgages owned by it.

On March 19, 1923, the United States Supreme Court rendered this decision in the case of the Federal Land Bank of New Orleans after the case had been decided against the bank in the state court.

The bank offered for recording a mortgage on land in Montgomery, Alabama. It paid the recording fee but protested a tax which the state demanded under the State Revenue Act of 1919.

The United States Government fought the tax on the ground that a state can not levy and collect taxes for revenue purposes on the business of a federal land bank.

And the Supreme Court so held.

NEW FORMS READY FOR RELEASE

Form 1120 A for 1922 fiscal year corporate returns are now ready for release. Tentative returns for fiscal years ending January 31 must be filed by April 15 and complete returns by June 15th.

Form1065 has been ready for some time.

FOREIGN MONEYS ARE NOT SECURITIES

Are francs or other foreign moneys securities?

This question arises under Section 214 (a) (5) of the Revenue Act of 1921. It is there provided that a taxpayer may not claim a deduction for a loss sustained in a sale or other disposition of shares of stock or securities made after November 23, 1921 where it appears that within thirty days before or after the sale, the taxpayer has acquired (other than by bequest or inheritance) substantially identical property and that he has held it for any period after the sale.

In this connection, a taxpayer who sold at a loss some foreign money acquired other foreign money practically identical within thirty days. He then asked whether he could take his loss in his income tax return. Or was he selling and buying securities?

The Section refers only to shares of stock and securities and as money could not be held to be either of these, the loss is allowable for the year in which the sale took place.

The foreign money which he then bought must be considered separately and when it is sold its actual cost must be used in computing gain or loss.

A taxpayer who sells foreign money should claim his loss or compute his gain with reference to each transaction even though he immediately buys money substantially identical.

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(Archibald Harris & Company, Certified Public Accountants
Accounting and Tax Counsellors for the Association, Chicago)

NO STATE TAX ON MORTGAGES HELD BY FEDERAL LAND BANKS

A Federal Land Bank does not have to pay taxes to a state because of mortgages owned by it.

On March 19, 1929, the United States Supreme Court rendered this decision in the case of the Federal Land Bank of New Orleans after the case had been decided against the bank in the state court.

The bank offered for recording a mortgage on land in Montgomery, Alabama. It paid the recording fee but protested a tax which the state demanded under the State Revenue Act of 1919.

The United States Government fought the tax on the ground that a state can not levy and collect taxes for revenue purposes on the business of a Federal Land bank. And the Supreme Court so held.

NEW FORMS READY FOR SERVICE

Form 1120 A for 1928 fiscal year corporate returns are now ready for release. Tentative returns for fiscal years ending January 31 must be filed by April 15 and complete returns by June 15th.

Form1065 has been ready for some time.

FOREIGN MONEYS AND NOT SECURITIES

Are francs or other foreign moneys securities?

This question arises under Section 214 (a) (5) of the Revenue Act of 1928, in a sale or other disposition of shares of stock or securities made after November 23, 1921 where it appears that within thirty days before or after the sale, the taxpayer has acquired (other than by bequest or inheritance) substantially identical property and that he has held it for any period after the sale.

In this connection, a taxpayer who sold at a loss some foreign money acquired other foreign money practically identical within thirty days. He then asked whether he could take his loss in his income tax return. Or can he be selling and buying securities?

The Section refers only to shares of stock and securities and as money could not be held to be either of these, the loss is allowable for the year in which the sale took place.

The foreign money which he then bought must be considered separately and when it is sold its actual cost must be used in computing gain or loss.

A taxpayer who sells foreign money should claim his loss or compute his gain with reference to each transaction even though he immediately buys money substantially identical.

332.06
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FEDERAL TAXATION AND ACCOUNTING
ARCHIBALD HARRIS & CO., COUNSELLORS
MARQUETTE BLDG., CHICAGO

April 23, 1923

WEEKLY BULLETIN NO. 43

Series 1922-1923

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JAN 22 1925
UNIVERSITY OF ILLINOIS

Rockford Convention

Requests for hotel reservations being received at Rockford indicate that there will be a good attendance at the Annual Convention in June. Those who have not yet made their reservations should do so at once in order to insure getting just the accommodations desired. Address all requests to Mr. A.R. Floberg, Manufacturers National Bank, Rockford, who is the Chairman of the hotel committee. The committee requests that two persons occupy one room wherever practicable in order to permit as many as possible to be in the headquarters hotel.

The Rockford Bankers are working on entertainment plans which promise a good time for all attendants at the annual meeting. The program committee has announced that it will provide for very few speakers and most of the program will be devoted to general discussions on subjects of vital interest, however, there will be one notable address at each of the three sessions.

There will not be a special convention train from Chicago as it is only a short distance to Rockford and the schedules of the three railroads-Illinois Central, Chicago and Northwestern and Chicago Milwaukee and St. Paul, provide many convenient trains.

Association Officers Attend Executive Council Meeting A.B.A.

President Wirt Wright and Secretary M.A. Graettinger are attending the meeting of the Executive Council of the American Bankers Association being held at the Westchester-Biltmore Club, Rye, N.Y. April 23-26.

Bankers' Attitude Toward Local Printers Criticized

The Illinois Press Association has brought to our attention the fact that there is some feeling among printers in the smaller cities that the bankers are not entirely fair in ordering their supplies from mail order printing concerns instead of patronizing the local printers. While it is realized that the bankers are influenced by the lower prices made by the larger concerns still it is pointed out that local newspapers render them considerable service in the way of free publicity and that in the interest of reciprocity and development of home industries they deserve the bankers' patronage.

We would be pleased to receive expressions of opinion on this subject.

State Bonus Bonds to Be Placed Soon
(Press Note)

Preparations have been started for the financing of the soldiers' bonus payment in Illinois through the sale of bonds. A representative of the state administration was in Chicago, Tuesday, it is learned and held a conference with investment bankers for the purpose of obtaining their opinion as to the condition of the market and the best probable terms the bonds could be sold at.

Expectation is that about June 1 the first block of $10,000,000 will be sold, which is less than had been expected in the street. Ninety days later an additional $10,000,000 will be sold and $5,000,000 each ninety days thereafter, until the entire $55,000,000 is disposed of, according to the present plan. There is some doubt as to the coupon rate. Governor Small, it can be stated, wishes a 4 per cent interest coupon on the first block, but bankers have sent word to him that at this rate the bonds would have to be sold at a material discount. If 4 1/2 per cent is carried, then there could be obtained a slight premium.

Illinois River Inspection Trip Postponed

It is reported that the proposed tour of the Senatorial Investigating Committee to make an inspection trip on the Illinois River to ascertain the feasibility of construction by the Government of a nine foot channel in the Illinois River from Utica to Cairo, as a part of the "Lakes-to-Gulf" waterway, which was originally scheduled to start from Chicago April 30th, has been postponed until October 1st. The Committee is composed of Senators McCormick of Illinois, McKellar of Tennessee, Brookhart of Iowa, Reed of Pennsylvania and Broussard of Louisiana.

Riding the Saw?
(Kiwanis Magazine)

A young college man took his vacation working in the Maine woods. He was put at one end of a cross-cut saw cutting trees into saw log lengths. Two hours of the work almost broke his back. The huge woodsman on the other end of the saw at length paused for a moment and said, "Young feller, I don't mind yer ridin' on that end of the saw but for the love of Mike stop lettin' your feet drag the ground!"

In every organization a certain number of men ride the saw, allowing the organization to carry them along with it. This must of necessity be true in a world where a few will always lead and many will always follow. Neither Kiwanis nor any other good organization resents these men "riding on the saw."

But we all resent the fellow who lets his feet drag the ground.

The man who says there is a "gang" running his club, but never attempts to join the "gang" and help them or join the opposition and throw out the "gang" is letting his Kiwanis feet drag.

The man who says his club is just a knife and fork organization and never accomplishes anything for the good of the town and yet never gets up and tells the club about it or suggests anything for the club to start, is letting his feet drag.

Outlook Bright for Efficient Farmer
(Washington News Service)

The Agricultural Department has issued a review of the general agricultural situation in which it says that farmers who handle their resources well have a fairly bright outlook this year.

"Farmers who are well situated and who produce efficiently, at low cost a bushel or per pound, have at least a chance this year", said the review, "Farmers who are

too low down the scale of efficiency will hardly find salvation in cheap credit, cheap transportation, cooperative marketing, tariffs, price fixing, nor all of these combined. Informed men appear to feel that not more than two major farm products are likely to be expanded this year at a profit. These are cotton and possibly sheep.

"There is nearly as much winter wheat in the ground as a year ago, and aside from drought in the west and some frost damage, the stand looks moderately good so far. Seventy cent corn may tend to stimulate corn acreage a little.

"It must be remembered, however, that most surplus corn must sell at a rough parity with meat animals, particularly hogs. We have just had one season of heavy feeding. Whether the demand for meat will stimulate another such year is quite problematical, though it is a possibility.

"There is likely to be some reduction in potato acreage this Spring, but the only certain winners will be farmers who reduce their costs of production.

"Hog prices look lower for the early half of the year, with good prospects for a slight advance and a steady market during the late Summer and early Fall, and increased supplies and declining prices at the close of the year. It is probable that the South will be a heavy buyer of northern pork and lard next Fall.

"The outlook for wool appears to be favorable for a year or two at least. The demand for dairy products is fairly good, but production is heavy and increasing. The cotton situation is strong from the producer's standpoint. The greatest limiting factors are the weather and the boll weevil. Well-posted men seem to think that a 13,000,000 bale crop could be absorbed by the market at good prices. The problem is to produce it."

The Poppy for Memorial Day

The scarlet poppy has been adopted by the American Legion for use on Memorial Day in honor of the men who fell in France. It will be worn by all members of the Legion.

The Legion suggests a similar use of the poppy on Memorial Day by all members of the Public, and asks that we place this suggestion before our membership. With this request we very gladly and sympathetically comply. It is our hope that organizations of business men will promote the wearing of poppies on May 30th.

From local posts of the American Legion and from units of the American Legion Auxiliary poppies may be obtained during the week preceding Memorial Day.

Country Banks May Organize Loan Associations
(Washington News Service)

Suggestions that country banks may legally organize loan associations under the State laws as adjuncts to meet competition anticipated from the new intermediate credit banks soon to operate under the Agricultural Credits Act, were given in a formal statement by the Federal Farm Loan Board this week.

It is the aid of the Farm Loan Board in administering the new law to facilitate the service of the country banks rather than interfere with them, the statement explained, adding that the country banks obviously can meet the expected competition by use of rediscounts, although this course appeared to the board as questionable.

"A wiser and more practical plan" that statement continued, "would be to organize under State laws where they permit a loaning corporation as an adjunct of the bank with paid-in capital from $10,000 up, as the needs of the community suggest. Such an institution could be officered and served by the officers and employees of the bank without expense and having no deposits could safely rediscount five and six times its capital.

"A 1 1/2 per cent margin on this plus interest on its capital loaned, would produce a good return, and the net result would be to take the longer term paper out

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"A 1 1/2 per cent margin on this plus interest on its capital loaned, would produce a good return, and the net result would be to take the longer term paper out

of the bank, which ought not to carry it, and give better service at a reduced rate to the borrower. Such corporations would, of course, have to have bona fide paid-up capital and could rediscount nothing but first-class paper."

Transportation Agency Formed
(Press Note)

Articles of Incorporation for the National Transportation Institute, the object of which is a "comprehensive survey of transportation" have been filed with the Secretary of State of Illinois.

The purpose of the institute according to articles filed are:

1. "To conduct nonpartisan and impartial investigations and research into every kind of transportation and the relation of transportation agencies to each other and to agriculture, industry, finance, trade and commerce."
2. "To disseminate the facts thus acquired to the public through the platform, press, educational institutions, motion pictures, and other valuable mediums."

The articles further specify that the coporation "shall not in any way become directly or indirectly representative either of transportation agencies, producers, shippers or any special group".

James R. Howard, Ex-President of the American Farm Bureau Federation, has been elected President.

Second-Hand Safe Deposit Boxes for Sale

For Sale: One section of twenty-four safety deposit boxes 4' 3 1/4" high 1' 8 1/4" deep, in good condition. If interested please write the Carroll County State Bank of Mt. Carroll, Illinois, direct.

Federal Tax Opinions
(Archibald Harris & Company, Certified Public Accountants)
(Accounting and Tax Counsellors for the Association, Chicago)

LIABILITY OF OLD OR NEW CORPORATION FOR CAPITAL STOCK TAX.

QUESTION: A corporation in existence from 1916, in which year it was incorporated, has apparently failed to file capital stock tax returns as required by law. On November 15th, or thereabouts, in 1921, this corporation disposed of its business to a new corporation.

The new owners are now called upon by the Internal Revenue Department to file returns with attendant penalties for years for which the old company should have filed.

All returns for years prior to 1923 are most certainly liabilities of the old and now dissolved company. The question which arises is, can these taxes, if any, and penalties for failure to file be assessed by the Department against the new company?

The taxes in the case in mind would not be great. But, the penalties might total a large figure, and the liability should fall upon the former owners of the concern, from whom the government has a cause for action.

OPINION: In the event the new corporation purchased the stock of the old corporation, the new corporation is liable for the tax and penalty; it being a fact that the tax of a corporation follows the stock and whoever is possessor of the stock at this time will now be liable for this tax and penalty.

Of course, if you only purchased the assets of the old corporation, and not the stock, then the old stockholders will be responsible for the tax. But, if, in taking over this corporation, you purchased this stock and reorganized, then the tax would be due from the new corporation.

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However, we would suggest that returns for these years be properly prepared and an offer in Compromise be made to the Department compromising the penalty, which we have done successfully in a number of cases. The minimum will be possibly $10.00 for each year. However, that is a matter for the Department to decide.

REFUNDS FOR 1917.

(1) Where a taxpayer filed a waiver for 1917 before April 1, 1923, he has until April 1, 1924 in which to file a claim for refund or credit for 1917 taxes paid.
(2) Even though a claim is not filed the Commissioner may allow the credit or refund if the audit is completed and the taxpayer's right to the credit or refund is determined by April 1, 1924.
(3) This is a ruling which was sent to all Collectors on April 10, 1923.
(4) We would not however advise your failing to file a claim. The Commissioner might not discover the refund or credit until after April 1, 1924.
(5) If you filed a waiver for 1917 and have overpaid your taxes for that year file your claim as soon as you can.

WAIVERS FOR 1917

QUESTION: On February 25, 1923, we filed a waiver consenting to the assessment and collection of further taxes for 1917. We did not state that we would consent to this if assessment was made within a certain time and now we feel that we should have done so. Could we have made such a restriction upon our waiver?

OPINION: (1) Waivers which have not time limit specified will expire on April 1, 1924.
(2) After that date the Commissioner can not make the assessment unless the waiver specifically says so.
(3) We understand the new form of waiver contains a time limit.

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Rockford Convention

The Thirty-third Annual Convention is the event extraordinary on the Association's calendar. Every banker should reserve the date and make all future plans and appointments with reference to the convention season. There will be three sessions and in due time all details of program and entertainment will be announced. A glance at the personnel of the following Rockford committees will convince you that the convention arrangements are in competent hands and that everyone attending the meeting is assured a good time:

Hotel: A.R.Floberg, Chairman, Manufacturers National Bank; W.E.Burwell, Rockford National Bank; Thomas Sizer, Forest City National Bank.

Entertainment: M.A.Kjellgren, Chairman, Third National Bank; Truman Johnson, Security National Bank; G.A.Peterson, Swedish-American National Bank; M.E.Baker, Rockford National Bank.

Golf: Ralph Spottswood, Chairman, Forest City National Bank; E.A.Anderson, Security National Bank.

Finance: N.F.Thompson, Chairman, Manufacturers National Bank; F.F.Wormwood, Peoples Bank & Trust Company.

Automobile: L.E.Scott, Chairman, Peoples Bank & Trust Company; Joseph Olson, Rockford Trust Company; J.D.Taylor, Commercial National Bank.

Ladies: Mesdames E.E.Brumbaugh, H.S.Burpee, N.F.Thompson and Dell Floberg.

IF YOU HAVE NOT MADE YOUR HOTEL RESERVATION WRITE TO MR. A.R.FLOBERG TODAY.

$175,000 For the Illinois River in Appropriations
(Washington News Service)

Included in allotments, announced by Secretary of War Weeks, which have been made for river and harbor improvements from the $56,000,000 appropriation, is $175,000 for the Illinois river. Allotments in midwest territory include the following:

Calumet harbor and river, Illinois and Indiana, $160,000
Indiana harbor, Indiana, $217,000
Michigan City Harbor, Indiana, $23,800
Illinois river, Illinois, $175,000.

The total of the allotments made is $40,463,280 which leaves a balance of $16,126,630 for future assignment.

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Bookford Convention

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Hotel: A.R.Plobert, Chairman, Manufacturers National Bank; W.E.Burwell, Bookford National Bank; Thomas Sizer, Forest City National Bank.

Entertainment: M.A.Kjellgren, Chairman, Third National Bank; Truman Johnson, Security National Bank; G.A.Peterson, Swedish-American National Bank; M.E.Baker, Bookford National Bank.

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Michigan City Harbor, Indiana, $23,600
Illinois river, Illinois, $176,000.

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More About the New Plan for Selling Ford Autos

In response to our request for an expression of opinions relative to the new plan for selling Ford Autos on payment of small installments to be deposited in local savings banks, the following have been received from bankers in the state and we reprint them for the benefit of all:

"Regarding Ford's savings plan to purchase a Ford, we turned it down for the reason that we were unable to see where the WHOLE family came in. The WHOLE family can now and has always been able to open a savings account at any bank and save until they had sufficient funds to buy a Ford or any other car, under this plan the poor sucker is pledged to buy a Ford, no difference what the price is or what cuts other cars may make. We are unable to see any reason why one of our customers should sign an agreement to buy a Ford at some future date,--why not start the Savings account and after he has saved, buy a Ford or pay on a house or pay the doctor bill or whatever is most pressing.

"To my notion this is a foolish scheme that will make people afraid of banks and savings accounts.

"What I would like to know is, WHAT DOES FORD OFFER TO THE SAVER THAT ANY OTHER AUTO COMPANY WILL NOT GLADLY OFFER, or in fact any piano, furniture, town lot or high grade bond house not offer. I will gladly sell my bank under the same plan, the WHOLE family saves enough money to buy me out, then I agree to sell at what I think it is worth at that time. HENRY does not even set the price he will accept for one of his joy riders-when the poor sucker has saved, he can then buy a FORD ONLY at the regular current market retail price. I fear Henry is getting too generous and should be looked after. His great desire to have the WHOLE family enjoy themselves, appears to be limited to enjoyment in a Ford at market prices with freight added from his factory.

"I may be wrong, but this looks to me to be the most foolish example of what bankers will fall for; I have almost lost my respect for the profession. Making Ford salesmen out of bankers, - I am willing to hand it to Henry, no one else would have had the nerve to have even thought it possible. What I wonder is, how are the bankers getting along with their many other customers that have things to sell and would like to have Mr. Banker advertise and help sell them."

"Personally I do not think very favorably of the plan, it appears to me not to be in conformity with the principles of sound banking as it encourages people to accumulate funds merely for the purpose of spending it for something that more than likely they would be better off without. The Christmas and other clubs advertise as if it were for the purpose of saving money for Christmas gifts; it is however the intention of all the banks having those clubs to try to induce depositors to transfer most of the account instead of withdrawing all and spending it.

"My individual observation of the car question is that it is a great convenience for the man who can afford the upkeep of a car and a curse to the man who purchases one when he cannot afford it. I have watched the effect of the car purchases on the savings account of young men for the past few years. Wages on farms have been good and for a season or so the young men save until they get enough together to buy a car, - after that it takes all their surplus to keep that car in running order and supplied with gas. The temptation for going is too great to resist. They drive into the cities to attend shows two and three times a week, form the spending habit, collect their wages each week and spend them as soon as they get them. At the end of the season when they usually had a little to put into their savings accounts, they are broke and clamor for a small loan to carry them over until they get work again. They are not as efficient or dependable and do not consider an agreement as an obligation on their part at all.

"There are of course, exceptions to all rules, which hold true in this case

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too. They cannot all be put in the same class - many are thrifty and dependable but the tendency is the other way."

"I would like to know myself what the opinion of the other bankers is, but it appears to me it would not be a very profitable one from any standpoint, except the manufacturer of automobiles.

"It seems it would encourage every one who could scrape up $5.00 to start to buy a Ford, and once started, nothing could change him in his course, and he would let every other obligation go to reach that goal. When it was reached, the bank would lose all the account, and no doubt the man left in debt for other needed things, and then the banker would have to loan him the money to pay his other debts. Many reasons in my opinion why it would not appeal to the banker, but to the maker of cars."

"Christmas Club" Automobile Purchases.
(Editorial from "The Banker And Financier".)

At the risk of being dubbed "old foggyish", not a few bankers will oppose the new Christmas Club plan of buying automobiles upon the familiar dollar or five dollar down and a similar contribution week by week. Their reluctance to offer the facilities of their banks in this connection will not arise from any disposition to take from rather than add to, the joy of living. Their real reason will be that good, hard common sense does not reconcile the purchase of anything except perhaps the sternest necessities of life, by people who cannot afford, and in this case, do not need, the article they are buying.

Are we pursuing the right course in domestic economy by making extravagance easy? People must have some moral fibre, some degree of backbone, to lay aside a proportion of hard earned money against the inevitable rainy day. Banks are supposed to have assumed the task of promoting such accumulations. They try to make saving easy; they are glad when they can make the process enjoyable instead of painful.

No doubt the dangling of an automobile at the end of the saver's rainbow of hope has been a source of inspiration to him. To make that the sole vision is not to promote the real cause and purpose of savings. It will not add to the surplus wealth of the country in permanent form, although temporarily it may enlarge prosperity in certain directions. Savings and surplus are not nationally useful when based on extravagance. Particularly is this true where the extravagance is not confined to an original purchase, but is promoted by the very possession of the thing bought.

A broad question of ethics is involved in this new automobile experiment, and banks will consider the problem carefully before assenting to partnership in the plan.

A Banker Explains Why He Does Not Patronize Local Printer

Last week's Bulletin carried an allusion to the fact that there is some feeling among printers in the smaller cities that the bankers are not entirely fair in ordering their supplies from mail order printing concerns instead of patronizing the local printers. The following letter received from an Illinois banker gives the other side of the story:

"We give the local printer a great deal of printing of a character he can do without having to send it out for execution. We do not think he is equipped for binding checks, drafts, and other stationery supplies in this line and we see no reason why the local man should have any claims on this kind of work simply because he abhors the mail order business and has a desire to do the work. We have quite an up-to-date printery here and in times past have favored them, at their own request, for checks, etc. The work furnished was not satisfactory to us, for the reason that it lacked the snap

too. They cannot all be put in the same class - many are thrifty and dependable but the tendency is the other way."

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of being neatly put up, bound, etc. In fact, it was decidedly "clumsy". We refused the job and the printer was mad, stating that stock and labor cost him money. Apparently not considering that his workmanship, had it been accepted, would have cost the Bank considerably more money in its dealing with its customers who are entitled to neat checks, and supplies generally if their business is worthy of being had. Since then, we place our orders with firms who are making a specialty of this kind of work, and while all of their work is not always satisfactory, we are free to reject it, place our orders next time where we choose, and don't have to give a "hang" whether they like it or not. You cannot do this with your local printery. Either he gets sore or you are sore, and as we look at it, giving work to your local man who is not fitted to do it, simply opens the way for trouble with your printer customer. We believe in managing our own business and not letting the other fellow tell us what we may or may not do. The Illinois Press Association is no exception to this rule."

First Batch of Bonus Bonds On Sale Here Soon
(Press Note)

Within the next few weeks the state will offer for sale the first block of $55,000,000 soldiers' bonus bonds. Although the rate of interest has not been announced, it is expected in financial circles that at least 4 1/2 per cent will have to be paid if the bonds are to be sold at par.

Chicago bankers state that Illinois will have no trouble in selling its new bonds, inasmuch as the state is authorized to fix the interest rate anywhere between 3 1/2 and 6 per cent, as market conditions may demand at the time of selling the bonds.

Intermediate Farm Credit Banks to Open Doors May 1st.
(Washington News Service)

The Federal Farm Loan Board has announced that May 1st, has been fixed as the date for the formal opening of the twelve new intermediate farm credit banks, all of which have been chartered, and will be prepared to consider applications for loans as provided under the new Agricultural Credit law.

With the announcement that the Government's part of the program for extending new loaning facilities to the farmer is ready, the problem now appears to be one of organization among those who will seek Government money. Certain provisions of the law require that the producers individually shall not obtain funds direct from the loan banks but must first group themselves into one of several kinds or organizations, through which the producers' obligations may be rediscounted and passed on to the credit banks.

The Farm Loan Board is optimistic, although Commissioner Lobdell said today the development of the system necessarily would be slow during what he termed the experimental stage. The Commissioner predicted that the new facilities would be readily grasped, and the opportunities presented quickly accepted by those for whom they were designed.

The difference between Comptroller of the Currency Crissinger and Judge Lobdell, Farm Loan Commissioner, over the policy to govern the intermediate credit banks, is to await decision by the new Comptroller, Henry B. Dawes, upon his assumption of office May 1st. Comptroller Crissinger is opposed to the organization of a large number of small corporations, believing that the country is probably already overbanked. Judge Lobdell thinks the new credit agencies should be disseminated as widely as possible.

U.S. Tax Gain New Proof of Business Boom
(Washington News Service)

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U.S. Tax Coin New Proof of Business Boom
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An upward trend of general business, in the opinion of treasury officials, is

shown definitely in detailed statistics on gross federal tax collections for March which place the total for the month at $533,542,000.

While some specific items show a reduction in returns as compared with March, 1922, officials regard the analysis of payments made public as giving evidence through generally increased return of a healthier national business state.

U.S. Will Issue $500,000,000 In New Securities
(Washington News Service)

The Treasury has begun consideration of its next financing program, due to materialize about May 15th, and indications have been that new securities aggregating about five hundred million dollars will be floated at that time. Nothing concerning the nature of the terms of the new securities have been disclosed.

The last half of the Victory note issue, totaling about $775,000,000 will mature May 20, and to retire these bonds new financing must be carried out. In addition the treasury must meet the maturity of an issue of certificates of indebtedness and $50,000,000 in war savings stamps which matured Jan. 1st. and are still unredeemed. The balance in the general fund of the Treasury has been running unusually large so that funds may be used from that source to aid in retiring maturing securities.

There is some indication that the next securities will embrace two issues, one of short maturity date, the other probably for two years. This belief appears to be in line with the policy of the department in spreading out maturities which were necessary as a result of refunding securities on a post-war basis.

D.R.Crissinger Takes Office As Governor of Federal Reserve Board May 1.
(Washington News Service)

New policies of the utmost importance to the entire Federal Reserve System and indeed, to the entire banking community of the United States, will be worked out by D.R.Crissinger, during his term as Governor of the Federal Reserve Board. Mr. Crissinger, now Comptroller of the Currency, expects to take the oath as Governor on May 1st.

Federal Tax Opinions
(Archibald Harris & Company, Certified Public Accountants)
(Accounting and Tax Counsellors for the Association, Chicago)

DEPRECIATION

QUESTION: Our building was carried on our general ledger at $2,100.00 from 1914 up until January 1st, 1922, at which time we depreciated it an additional $100.00, carrying it at $2,000.00 until January 1st of this year, when we wrote it entirely off the books. The building is over 20 years old, as a matter of fact, but we have never been allowed, in fact I do not think that depreciation of any kind on the building has ever been claimed. Is there no way I can set at least part of this $2000.00 over against our profits for 1922.

OPINION: The income tax bureau will allow as a deduction for depreciation only an amount properly representing depreciation for one year regardless of the fact that little or none had previously been charged off.

This amount should be computed on the basis of the remaining life after date of acquisition. For instance, if you estimate the life to be twenty years, depreciation should be calculated at 5% of the cost.

LOSSES

QUESTION: We have a couple of customers who have signed notes with other parties as security and have during the past year had to pay these notes. In making out their income tax returns, would these losses be allowable deductions?

OPINION: A loss actually sustained and paid by an endorser of a note is an allowable deduction for income tax purposes.

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The last half of the Victory note issue, totaling about $775,000,000 will mature May 20, and to retire these bonds new financing must be carried out. In addition the treasury must meet the maturity of an issue of certificates of indebtedness and $90,000,000 in war savings stamps which matured Jan. 1st. and are still unredeemed. The balance in the general fund of the Treasury has been running unusually large so that funds may be used from that source to aid in retiring maturing securities.

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Illinois Bankers Association

PRESIDENT, WIRT WRIGHT, NAT. STOCK YARDS.

VICE PRESIDENT, M. A. TRAYLOR, CHICAGO.
TREASURER, C. A. BEERS, ROCK ISLAND.
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ASST. SECRETARY, OLIVE S. JENNINGS, CHICAGO.

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J. L. SCHLENER, MANAGER
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LEGAL
GEO. E. FINK, COUNSEL
203 CHAMBER OF COMMERCE BLDG., CHICAGO

FEDERAL TAXATION AND ACCOUNTING
ARCHIBALD HARRIS & CO., COUNSELLORS
MARQUETTE BLDG., CHICAGO

May 7, 1923

WEEKLY BULLETIN NO. 45

Series 1922-1923

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UNIVERSITY OF ILLINOIS

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A Message from the President

Resurgence of life!

Fruit trees blooming, leaf buds greening, the soil mellowing for the seed. A ferment of life in the very atmosphere, which infuses into all animate things.

Which includes men and women. And why not? This wonderfully inspiriting season of the year, fills us with the will and the strength to accomplish, opens new avenues of hope. We are sadly recreant to the best in nature and in ourselves if we permit material things to suppress this urge toward the growth and development of the spirit.

Whether with authority or not, todays papers state that Germany on her own initiative finally is making a definite offer to settle the reparations debt. How reasonable or acceptable remains to be seen. Possibly it is finally a real start toward lifting the pall of hatred, bearing such a weight of economic futility and misery to this world's millions since the armistice. Perhaps it means returning assurance of dependable prosperity and happiness to all our people, whose lot is inseparable wholly from that of the world.

If so, it shall have proved an appropriate accompaniment to the new life of this spring season.

Wirt Wright,
President

Membership Record

Membership April 1, 1923. 1,875

New Members Enrolled

State Bank of East Dubuque	East Dubuque
Suburban Trust & Savings Bank	Oak Park
Woodbine State Bank	Woodbine
Broadway National Bank	Chicago
Builders & Merchants State Bank	"
West Madison State Bank	"
Paul H. Davis & Co.	" (Associate Member) 7
	1,882

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Membership Record-continued

1,882

Deductions

Merchants Loan & Trust Co.	Chicago (Consolidated)	
Walton Banking Co.	Fairbury "	2
Membership May 1, 1923		1,880

Group Meetings

The "I.B.A. Group Special" will leave Chicago Sunday, May 20th, for the first trip covering the meetings of Groups 10, 8, 9, 7 and 6 at Cairo, Jerseyville, Flora, Springfield and Monticello. The second trip will be from June 4th to 7th, covering the meetings of Groups 1, 2 and 5, at Monmouth, Canton and Clinton. The equipment will consist of compartment cars with a diner attached and every possible arrangement will be made for the comfort and pleasure of the party enroute.

If you would like to join this party which affords an unusual opportunity to enlarge acquaintance with the bankers of the state and travel under very pleasant conditions, write the Secretary at once for reservation.

Business Conditions

-As Reported by the Federal Reserve Bank of Chicago-

Continuation of the high rate of manufacturing operations caused an active demand for accommodation at the banks in industrial centers during March and the first part of April. The demand was not excessive and found most banks able to take care of it without borrowing.

Marketing of grain and live stock, although retarded by weather conditions, enabled farmers to liquidate a part of their indebtedness. A number of farmers in some sections are paying off loans before maturity where they have this option. However, in many cases the funds for these payments were obtained by borrowing from the Federal Land banks, Joint Stock Land banks, and other farm loan agencies. In parts of the district there was an increase in borrowings by country banks from city banks to meet the increased demand for accommodation together with withdrawals of deposits by farmers.

With the exception of a slight increase in total liabilities, March business failure statistics for the district and entire country show little change from the February level when the greater number of working days in March is taken into consideration. The number of failures during the first quarter of 1923, while approximately 30 per cent below the high level reached during the first three months of 1922, was still above the average. There were also fewer banking defaults during this period.

-As Reported by the Federal Reserve Bank of St. Louis-

Reports from leading interests covering general business in this district during the past thirty days are almost unanimously optimistic. Production of commodities as a whole maintained the high levels of the two or three months immediately preceding, and in a number of instances further gains were reported and new high records set. Distribution and consumption have kept full pace with production, manufacturers and wholesalers reporting unusually heavy shipments, which in a large majority of cases were well in excess of the corresponding period a year ago. The comment is made that a marked distinction exists between the situation now and that prevailing during the early months of 1920. At present there is little buying by retailers in excess of their actual requirements, speculative purchasing being almost entirely absent, while

during the earlier period there was a disposition to accumulate heavy stocks and to pyramid orders in order to profit by price advances which it was believed were about to occur.

More About Patronizing the Local Printer

The criticism of the bankers for not patronizing local printers mentioned in a recent issue of the Bulletin is further refuted by an expression received from an Illinois banker which we reprint:

> "In our vicinity few if any local newspapers are equipped to do good job work. In fact the nearest paper to us does its own newspaper printing in such exceedingly bad shape it can hardly be read.
>
> Few towns except county seats now have newspapers. Formerly every little town had its newspaper. So far as we know newspapers do little if any free advertising unless it is occasionally for the "common good" of their readers, rather than for good of the banks.
>
> Banks, so far as we know, pay for all the advertising they get. If they do not it would pay them much better to go to doing it rather than pay big prices for very inferior job work."

Selling Ford Autos Through the Banks

In further analyzing the new plan for selling Ford autos on weekly payments of small installments to be deposited in local savings banks and with due consideration of the expressions received from many bankers of the state relative thereto, it would seem that the plan as outlined by the Detroit office would conflict with state laws in regard to branch banking, in that accounts are permitted to be opened and deposits made at the Ford agencies rather than at the office of the bank. There is a decided question as to whether the plan as submitted does not violate the state laws.

The question of the ownership of the money also enters in. On the face it would appear that the money belonged to a Ford agency while in reality it is supposed to belong to the depositors.

In any case where a bank enters into such a contract it would be best to insist upon two changes in its form: (1) a regular savings pass book should be issued and the owner thereof required to call at the bank to make all deposits which will be recorded in the pass book by an authorized teller; (2) in the event that the depositor desires to withdraw any or all of his funds such withdrawal should be made at the discretion of the bank without the necessity of referring to any Ford Agency before allowing such withdrawal.

Contributions for State Police Work

We are informed that a number of banks have contributed to a certain organization which has helped in the fight to bring about the enactment of a State Police Bill. The bill has again been defeated and it appears quite evident that the plan of campaign for the next Legislature will have to be improved upon and an organization perfected among the advocates of the measure which will centralize their efforts. Until this can be brought about, we would suggest to the banks that they make no further money contributions for State Police purposes to any person or persons without first securing approval from the Association office.

The Annual Convention of the American Institute of Banking

The American Institute of Banking will hold its annual convention July 16-20 at Cleveland. The Illinois State Chapter will be represented by its president,

Mr. R. L. Cutler of the Huston Banking Co., Blandinsville, and the following delegates:

G.M.Poley, Stillman Valley Bank, Stillman Valley
Wm.L.Baptiste, First National Bank, Peoria
Geo.A.Fish, Springfield Marine Bank, Springfield
Allen J. Nelson, Waukegan National Bank, Waukegan
Chas.K.Peck, Huston Banking Co. Blandinsville
Ernest Galloway, Livingston Co. Natl. Bank, Pontiac
C.F.Meyers, First Natl. Bank, Freeport
L.B.Heard, West Frankfort Bank & Trust Co. W.Frankfort
Crescent O'Connor, Wataga State Bank, Wataga

Standard Sizes for Bank Checks and Drafts

A bunch of checks consisting of about a dozen of as many different sizes, which were collected by Mr. Scharf of the Protective Department from the counters of banks in one county recently visited by him, prompts us to call attention to the recommendation of the Association Committee on Banking Forms and Service for the adoption of the following standard sizes:

Bank Drafts, Certificates of Deposit, Cashiers' Checks, Trade Acceptance and Voucher checks (when folded). 8 3/8 x 3 3/8 inches.

Customers' Checks 8 1/4 x 3 1/16 inches, except that special checks requiring voucher panels, outlook ovals, etc., which cannot be made on this size, may be made the same size as bank drafts, but in no instance to exceed 8 3/8 x 3 3/8 inches.

Pocket checks 6 x 2 5/8 inches with no exception.

This movement for uniformity in the size of drafts and checks has the support of the State Secretaries and Clearing House Sections of the A.B.A. and also of the leading manufacturing stationers and lithographers. It is just as easy to use these uniform sizes as so many different ones and it will permit of much more expeditious handling of the many millions of checks that pass through the banks.

WHEN YOU PLACE YOUR NEXT ORDER STIPULATE THE SIZES LISTED ABOVE.

Sell Bonus Bonds in June
(Press Note)

The first of the Illinois soldiers' bonus bonds are to be sold next month so that the money will be available for paying the State's veterans of the world war by July 1. The initial batch to be disposed of will be $10,000,000.

That announcement was made by Governor Small following a conference between the Governor, State Treasurer Oscar Nelson and State Auditor Andrew Russel with representatives of big bond houses.

Harding Picks "Dirt" Farmer
(Washington News Service)

Edward H. Cunningham of Iowa has been appointed by President Harding to be the "dirt" farmer member of the Federal Reserve Board. The President at the same time announced the appointment of Edward E. Jones of Pennsylvania to be the additional member of the Farm Loan Board authorized under the new agricultural-credits legislation.

Mr. Cunningham owns and operates a farm in Iowa and is Secretary of the Iowa Farm Bureau Federation. He served six years in the Iowa Legislature and for two years was Speaker of the House.

Mr. Jones has been a member of the Pennsylvania Legislature for many years and at present is serving as Treasurer of the Federal Land Bank at Baltimore.

The Wrong Use of Influence

About a year ago Arthur R. Buzzell, former cashier of the First State Bank, Lyndon, who had disappeared several months prior thereto, surrendered himself to the authorities and pled guilty to the charge of embezzlement and forgery and was given an indeterminate sentence of from one to ten years.

When Buzzell disappeared he left a note behind stating that he was entirely to blame for a shortage of approximately $30,000. An appeal for the parole of Buzzell was heard by the Board of Pardons and Paroles a short time ago and it appeared that petitions for his release had been signed by a number of his friends, among which were some bankers.

Among the unthinking there seems to be a common belief that more banks are robbed from the inside, meaning by officials and employees, than from the outside or by the professional burglar and robber; so much so is this the case that this was used as a counter argument to the assertion by the friends of the State Police Bill that the establishment of such a force would help to reduce the numerous bank burglaries and robberies with which this state was afflicted.

The policy of the Protective Committee is to help in the work of minimizing crime perpetrated on banks, regardless by whom committed, and it will protest against the release of anyone convicted and sentenced of such a crime before he has paid sufficient penalty. We believe that for the good of the banking profession it behooves bankers to refrain from using their influence to secure such release.

Bank for Sale

90% of the stock of a State Bank for sale in small inland town, about 600 people, Agricultural Section, Capital Stock $15000.00, Surplus and Undivided Profits figured at $5000.00, Deposits around $60000.00, Cash Resources, over $20,000.00, Loans about $46000.00. Good Building, no bills payable. Gets good interest. A first class live bank, and a money maker. Will stand close investigation, and good reasons for being for sale. Cashiership will pay $2000.00 per year and bank will earn 15% net earnings. For quick sale price $160.00 per Share. If interested in a small bank in a small town write at once to D 96, c/o I.B.A., 208 S. LaSalle St., Chicago.

Federal Tax Opinions

(Archibald Harris & Company, Certified Public Accountants)
(Accounting and Tax Counsellors for the Association, Chicago)

TAXES PAID BY BANK ON ITS SHARES OF STOCK

QUESTION: We would like some enlightenment on the question of taxes paid by a bank on its shares of stock. We were under the impression that a change in income tax ruling was made last year, permitting banks to take as a deduction the amount paid for taxes on its shares. We have now been advised that the following bulletin #1-31-442 ITI407, has been issued, which reads as follows:

"Amounts advanced by a corporation to each share holder to pay taxes assessed against their share holders because of ownership of the shares are not deductible in computing the net income of the corporation. These payments must be regarded as dividends to be returned as income by the recipients, who in turn may take a deduction for the taxes which they pay on their stock."

We would like to know how to proceed in this matter, inasmuch as the above ruling seems to be directly contrary to the revenue law itself and it is also contrary to Treasury decisions.

OPINION: The ruling referred to in your letter covers a different situation from that provided for in the law and regulations, and was probably made on a bank in some State where the State law does not require the bank to pay the tax but collects the tax from the individual stockholder. Where a bank however is required by State Law to pay the tax for the stockholders, or is made responsible for such payments, they are deductible by the bank, provided the bank is not re-imbursed by the stockholder.

The test is whether the bank actually pays the tax or whether the stockholder pays it.

There is no question about the deductibility of the item with respect to Illinois Banks where they pay the tax and are not reimbursed by the stockholders.

332.06
ILL

Illinois Bankers Association

PRESIDENT,
M.A.TRAYLOR, CHICAGO
VICE PRESIDENT
WAYNE HUMMER, LASALLE
TREASURER
I. E.MERRITT, HOOPESTON
SECRETARY
M.A.GRAETTINGER, CHICAGO
ASST. SECRETARY
OLIVE S.JENNINGS, CHICAGO

DEPARTMENTS
PROTECTIVE
J.L.SCHLENER, MANAGER
208 SO. LA SALLE STREET, CHICAGO
LEGAL
CHARLES E.HECKLER, COUNSEL
1815 HARRIS TRUST BLDG., CHICAGO
FEDERAL TAXATION AND ACCOUNTING
ARCHIBALD HARRIS & CO., COUNSELLORS
MARQUETTE BLDG., CHICAGO

208 SOUTH LA SALLE STREET TELEPHONE WABASH 2288

Chicago

June 16, 1924

WEEKLY BULLETIN NO. 51

Series 1923 - 1924

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LAST CALL FOR THE ANNUAL CONVENTION!

Everything is all set for the THIRTY-FOURTH ANNUAL CONVENTION OF THE ASSOCIATION, which will be held in DECATUR, JUNE 19TH and 20TH. The Decatur bankers have worked diligently preparing for the entertainment features and are now awaiting the coming of their guests. All indications are for a large attendance.

Special Cars will be attached to the Illinois Central train leaving Chicago Wednesday, June 18th at 10:00 A.M. Standard Central time, and arriving at Decatur at 2:30 P.M. THOSE WHO DESIRE RESERVATION ON THESE CARS SHOULD DROP A LINE OR TELEPHONE TO W. G. FERSTEL, DISTRICT PASSENGER AGENT, 208 S. LaSalle Street, Chicago - Telephone Wabash 3280.

Reduced Railroad Fare For Convention Goers

WHEN PURCHASING RAILROAD TICKET TO DECATUR DO NOT FAIL TO GET CERTIFICATE AS 250 MUST BE DEPOSITED AT REGISTRATION DESK BEFORE THE REDUCTION WILL BE EFFECTIVE. EVEN IF YOU DO NOT WANT TO TAKE ADVANTAGE OF THIS CONCESSION, OBTAIN CERTIFICATE ANY WAY FOR THE BENEFIT OF THOSE WHO DO.

Near East Relief

The following letter has been received from the Illinois State Headquarters of the Near East Relief:

June 7, 1924

"Mr. M. A. Graettinger,
Secretary Illinois Bankers Association,
Chicago, Illinois.

Dear Mr. Graettinger:

It sometimes happens that local committees do not notify us of funds received by their local treasurers for orphan and refugee support, and consequently funds remain dormant in local depositories for months and years without rendering the service intended.

These funds are held in the name of Near East Relief, the American Committee for Armenian and Syrian Relief, the Golden Rule Committee, etc., and ofttimes merely in the name of the treasurer without indicating the cause in whose favor the money is being held.

It occurred to our committee that you might bring this situation to the attention of your members throughout Illinois, and enlist them in making a thorough search for such dormant accounts so that they might arrange an immediate remittance to our treasurer, Mr. George M. Reynolds, sending it to him either in care of the Continental and Commercial National Bank as treasurer of Near East Relief, or to our office at 37 S. Wabash Avenue, Chicago.

Our committee has never been in more urgent need for funds to provide for the more than 50,000 orphans under our care. The majority are under 12 years of age, and to carry them through the Summer will require more funds than now appear available.

Thanking you in anticipation for whatever help you can render in this matter of gathering up the balances which are being held to our credit in some of the banks of Illinois, I am, on behalf of the committee,

Yours very truly,
(Signed) F. J. MICHEL
Executive Secretary."

Federal Capital Stock Tax Report Due July 1

Every incorporated bank is obliged to make a report to the Collector of Internal Revenue of its district, on the blank provided for the purpose (Form 707), of the fair average value of its capital stock for the preceding year ending June 30, and when notified, pay a tax of $1.00 for each $1,000 as is in excess of $5,000. This report must be filed not later than July 31, and the tax must be paid within ten days after notification.

Apply to your Collector for the proper blank at once so as to avoid the penalty.

Repeal of Stamp Tax Effective July 3, 1924

The provision for a stamp tax on drafts and checks (payable otherwise than at sight or on demand) and promissory notes, was repealed in the new tax bill, but this does not become effective until thirty days after enactment of the law. The new Revenue Act was signed by the President on June 2, 1924, and the repeal of the stamp tax becomes effective on July 3, 1924.

Bank Fixtures For Sale

Ten cages, mahogany finish, bronze grill, marble base. Also about sixty feet of Official Rail and counter to match. If interested, communicate with Schiff Trust & Savings Bank, Roosevelt Road near Halsted St., Chicago.

Position Wanted

Cashier of country bank desires position as Assistant Cashier in a city bank. Age 29; has had ten years experience in banks. Good reasons for changing. Can furnish good recommendations. Address HET 150, c/o Illinois Bankers Association, 208 S. LaSalle St., Chicago.

Illinois Bankers Association

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ASST. SECRETARY
OLIVE S. JENNINGS, CHICAGO

THE ILLINOIS BANKERS ASSOCIATION
UNITY AND PROGRESS
1891

DEPARTMENTS

PROTECTIVE
J. L. SCHLENER, MANAGER
208 SO. LA SALLE STREET, CHICAGO

LEGAL
CHARLES E. HECKLER, COUNSEL
1815 HARRIS TRUST BLDG., CHICAGO

FEDERAL TAXATION AND ACCOUNTING
ARCHIBALD HARRIS & CO., COUNSELLORS
MARQUETTE BLDG., CHICAGO

208 SOUTH LA SALLE STREET — TELEPHONE WABASH 2288

Chicago

June 30, 1924

WEEKLY BULLETIN NO. 53

Series 1923 - 1924

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NOTICE

THE ASSOCIATION OFFICE WILL BE CLOSED ON SATURDAY FOLLOWING THE FOURTH OF JULY.

Weekly Bulletin To Be Discontinued

At a meeting of the Administrative Committee, which was held on Friday of last week, it was decided to discontinue the issuance of the Weekly Bulletin and to replace it with a monthly, printed Bulletin somewhat on the order of that issued up to three years ago, but in an improved form. It will be published at the end of each month and is to contain articles pertaining to Association activities in general, Protective, Legal and Federal Taxation Departments, County Federation and Committee work. There will also be space devoted to local items. On matters of immediate importance special bulletins will be issued. The first number of the new Bulletin will be dated July 31.

JAN 22 1925

Meeting of the Administrative Committee

In addition to the action cited above, the Administrative Committee at its recent meeting reappointed Charles E. Heckler as Legal Counsel and Archibald Harris & Co. Counsellors on Accounting and Federal Taxation.

President Wayne Hummer was designated National Councillor for the Association to the Chamber of Commerce U.S.A.

It was the sense of the Committee that a Department on County Federations be created in the Association office to be in charge of an Assistant to the Secretary. For this purpose the Committee expects to employ a man who has had country bank experience and it is the plan of the Committee to make its selection at the next meeting.

It was decided to hold regular meetings of the Committee on the third Wednesday of each month and to invite in at each one of these meetings an Advisory Council to consist of the ten group chairmen, The Treasurer, a Chicago banker and two past Presidents of most recent service. It is believed that in thisway it will be possible to establish close contact with the sentiment of the membership for guidance in the deliberations of the Committee.

Three committees, Protective, State and Federal Legislation, were appointed, the membership of which will be announced as soon as acceptances are received.

New Member of Executive Council From Group One

Mr. L. H. Lindquist, Cashier of the Farmers Cooperative State Bank, Galva, has been elected a member of the Executive Council from Group One in place of Mr. C. W. Boyden, who resigned, owing to his election as Vice President of the Association, which automatically makes him a member of the Council.

June 30, 1924

WEEKLY BULLETIN NO. 53

Series 1923 - 1924

Continued

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Annual Dues Are Payable July First

The Secretary has advised the membership that drafts for the annual dues will be deposited on July first and will be forwarded through the Federal Reserve Bank of Chicago for collection. This method of handling the dues has proven very convenient, saving considerable bookkeeping and expense. It is hoped that each member will honor its respective draft promptly.

A new membership sign will be forwarded to every member July first.

A Message From The New President

Under date of June 26th, President Wayne Hummer addressed a letter to the membership in which he makes a plea for the continued loyal support of the membership and states that the plans of the new administration are, "to serve the membership of the Illinois Bankers Association to the best of our ability and to promote the interests of the bankers of Illinois in every way possible." He questions whether the Association is doing everything possible "to promote the increased usefulness of the banks and advance the general welfare of the State," which, according to the constitution, is the purpose of the organization, and announces his intention to appoint a special committee to make an investigation into ways and means of extending its usefulness and influence. He concludes with: "If we are to make this year a winner, which we are determined to do, we must have the benefit of the constructive criticisms and suggestions of the membership of the Association."

Digest of Changes Between the 1921 and 1924 Tax Laws.

With this Bulletin there is enclosed a pamphlet entitled "Changes Between the 1921 and 1924 Tax Laws" which is a digest prepared by Archibald Harris & Company, Accounting and Tax Counsellors for the Association. It contains an alphabetical classification of changes and an index which will make it a very handy reference.

We are in a position to supply the banks with quantities of this pamphlet for distribution to their customers at a cost of $2.50 per hundred or $22.50 per thousand. Send your orders to the Secretary accompanied by check.

Benefit Performance of "Sun Up" Great Northern Theatre July 8

On the evening of July 8th at the Great Northern Theatre, Chicago, there will be a benefit performance of the mountain play "Sun Up", which is showing to capacity houses, after a long and successful run in New York. The proceeds of this benefit performance will go to the building fund for doubling the capacity of the Tallulah Falls Industrial School at Tallulah Falls, Georgia. This institution ministers to a remote group of the mountain folk whose life problems are graphically depicted by Miss La Verne and her able company in "Sun Up". Owned and operated by the Georgia Federation of Women's Clubs, this school is carried on by them at an approximate cost of $10,000. a year without a dollar of cost for administration. Mrs. J. McGregor Adams of Highland Park, is General Chairman and Mr. Wm. G. Edens, Chicago, is Treasurer for this event.

Controlling Interest in Bank Wanted

Wanted to buy controlling interest in good bank of $25,000 capital, (small
inois city preferred), with position of President, by well known high type

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We are in a position to supply the banks with quantities of this pamphlet for distribution to their customers at a cost of $8.50 per hundred or $52.50 per thousand. Send your orders to the Secretary accompanied by check.

Benefit Performance of "Sun Up" Greet Northern Theatre, July 8

On the evening of July 8th at the Great Northern Theatre, Chicago, there will be a benefit performance of the mountain play "Sun Up", which is stirring to capacity houses, after a long and successful run in New York. The proceeds of this benefit performance will go to the building fund for doubling the capacity of the Tallulah Falls Industrial School at Tallulah Falls, Georgia. This institution ministers to a remote group of the mountain folk whose fate problems are practically depicted by Miss Le Verne and her able company in "Sun Up". Created and operated by the Georgia Federation of Women's Clubs, this school is carried on by them at an approximate cost of $10,000. a year without a dollar of cost for maintenance. Mrs. A. McGregor Adair of Highland Park, is General Chairman and Mr. Mc. Adams, Chicago, is Treasurer for this event.

Controlling Interest in Bank Wanted

Wanted to buy controlling interest in good bank of $250,000 capital, [illegible] Illinois city preferred, with position of president, by well [illegible] type

banker of years' experience. Proposition must stand rigid examination. Act qu Mail last published statement. Address OCH 152, c/o Illinois Bankers Associatio 208 S. LaSalle St., Chicago.

Bookkeeper Wanted

Wanted young man bookkeeper. Prefer one with good education who desires to learn banking business. State all in first letter. Address LHM 153, c/o Illinois Bankers Association,208 S. LaSalle St., Chicago.

Position Wanted

An experienced banker with fifteen years experience, qualified to serve as credit man, new business or general executive; desires position in a bank in a city of from five to ten thousand population. Address WW, 154, c/o Illinois Bankers Association, 208 S. LaSalle St., Chicago.

Federal Tax Opinions

(Archibald Harris & Company, Certified Public Accountants)
(Accounting and Tax Counsellors for the Association,Chicago)

REFUND FOR REVENUE STAMPS

Refunds may be obtained from the government for left-over revenue stamps on notes, etc., if the taxpayer will file a claim for refund on Form 843, attaching the stamps to the form, with the Collector of Internal Revenue for his district.

REPEAL OF TAX ON TELEPHONE AND TELEGRAPH MESSAGES

The repeal of the telephone and telegraph message tax will be in effect after midnight July 2, 1924.

THE ESTATE TAX

The Estate Tax of 1924 applies to the estate of any person dying after 4:01 P.M. Washington time, June 2, 1924.

STAMP TAX ON INTEREST COUPONS

QUESTION: Please advise us what the latest ruling is regarding the requirements of revenue stamps to be attached to mortgage note interest coupons. There seems to be a wide difference of opinion regarding this matter and we would like to know if it is necessary that the revenue stamps be attached to mortgage note interest coupons which represent the payment of interest on mortgage notes.

OPINION: (1) Under the Revenue Act of 1921 if the interest coupons borne by a mortgage note were so worded that they of themselves constituted promissory notes, they were subject to the stamp tax. If, however, they were merely evidence that the interest on the mortgage is due and payable at a certain time, the tax did not attach.

(2) In the 1924 law the tax on promissory notes is repealed, the repeal to take effect on July 3, 1924. A promissory note made on or after that date is not subject to the stamp tax.

number of years' experience. Proposition must stand rigid examination. Mail last published statement. Address OCH 182, c/o Illinois Bankers Association, 208 S. LaSalle St., Chicago.

Bookkeeper Wanted

Wanted young man bookkeeper. Prefer one with good education who desires to learn banking business. State all in first letter. Address IRM 1852, c/o Illinois Bankers Association, 208 S. LaSalle St., Chicago.

Position Wanted

An experienced banker with fifteen years' experience, qualified to serve as credit man, now business or general executive, desires position in a bank in city of from five to ten thousand population. Address WM, 1844, c/o Illinois Bankers Association, 208 S. LaSalle St., Chicago.

Federal Tax Opinions

(Archibald Merrie & Company, Certified Public Accountants)
(Accounting and Tax Counsellors for the Association, Chicago)

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STAMP TAX ON INTEREST COUPONS

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